

CAN FICTION HELP US GET
OVER GEORGE W. BUSH?

TRANSGENDER ACTIVISM TAKES
ROOT IN CONSERVATIVE AMERICA

OUR FALL
BOOKS ISSUE

THE AMERICAN PROSPECT

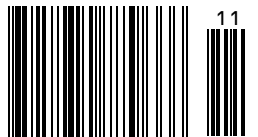
LIBERAL INTELLIGENCE

NOVEMBER 2008

The President Doesn't Matter

(as much as you think)

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THE AMERICAN PROSPECT

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VOLUME 19 • NUMBER 11 NOVEMBER 2008

"You may think the president is all-powerful, but he is not. He needs a lot of guidance from the Lord."

—BARBARA BUSH

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TAP ONLINE

Nurse your election hangover this month at www.prospect.org. Look for coverage of the new administration's first days in office from Ezra Klein and our staff blog, TAPPED. Plus, Sarah Posner chronicles the religious right, Gershom Gorenberg files dispatches from the Middle East, and Robert Kuttner and Dean Baker parse the financial crisis and its aftermath.

Cover art by John Ritter



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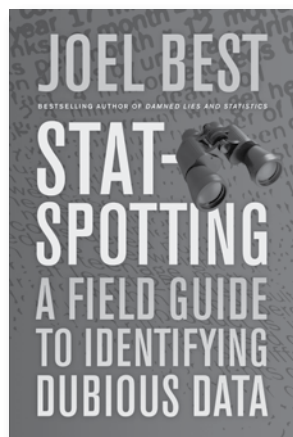
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Battle of the Narratives

WHAT DO YOU DO WHEN YOUR CORE IDEOLOGY turns out to be not just a practical failure but a national catastrophe? You contrive alibis. You invent facts. The final days of the 2008 campaign can be understood as a battle of narratives. It is now clear to most Americans

that the financial collapse was caused by extreme deregulation, the practical expression of laissez-faire dogma. Though some Democrats were enablers, the ideology was more purely Republican. How to temper this awkward political reality? Devise a counter-narrative. Herewith the elements:

They all did it.

In the Agatha Christie whodunit *Murder on the Orient Express*, the charming twist is that all of the suspects did it. In the current remake, the financial collapse was caused collectively by bankers, brokers, speculators, Alan Greenspan, Fannie Mae, lying borrowers, corrupt Democrats, and cheap credit. If everyone did it, then right-wing ideology escapes blame.

Greedy homeowners did it.

Former Sen. Rick Santorum, a Republican from Pennsylvania, in an op-ed piece blames: "one last group of bad actors, a group so powerful that most politicians have avoided railing against it: American borrowers. ... The truth is we all enjoyed the ride, with record credit-card debt, a negative savings rate, and home-equity loans."

No, Rick, we didn't "all" enjoy the ride. For 30 years, incomes for most Americans have been flat. Deregulated Wall Street made out like bandits.

CRA did it.

The right-wing narrative holds that the crisis was actually caused by regulation. One alleged culprit is the 1977 Community Reinvestment Act, which encour-

ages banks to serve moderate-income homeowners and small businesses *consistent with sound lending standards*. Allegedly, CRA caused the sub-prime meltdown by pressuring banks to lend to unqualified borrowers. But CRA only covers federally regulated lenders, and sub-prime was largely the work of unregulated mortgage companies.

Fannie and the Democrats did it.

Supposedly, Fannie Mae, abetted by corrupt Democratic politicians, brought us sub-prime. Congress did let Fannie get too big, and some malefactors were indeed Democrats. But the main buyers and packagers of sub-prime loans were Wall Street investment bankers. Fannie Mae never totally abandoned underwriting standards. Fannie's flirtation with riskier mortgages was enabled by Republican Phil Gramm, now senior adviser to McCain.

Herb Sandler and George Soros did it.

The most bizarre rendition of the right-wing story was displayed, of all places, on *Saturday Night Live*. In a diabolically deceptive skit broadcast Oct. 4, Nancy Pelosi and Barney Frank are holding a press conference with President Bush, presenting "victims" of the financial meltdown.

The first "victims" trotted out by the

Democrats are two low-life homebuyers—unemployed deadbeats with pregnant girlfriends and drug addictions. They got great deals on mortgages, gambled on houses they couldn't afford, and now are out of luck. Improvident deadbeats!

"Barney Frank" corrects a shrewish "Nancy Pelosi," who tries to blame President Bush for the crisis. Democrats in Congress blocked reform, Barney explains. (In truth, Bush's appointees pushed Fannie to buy dubious mortgage paper.)

Further "victims" are Herb and Marion Sandler. They, in real life, are leading Democratic donors and liberal activists. They are longtime critics of lax lending standards and underwrite the Center for Responsible Lending, a crusader against sub-prime and other predatory lending abuses. Their bank, Golden West Financial, did offer some sketchy mortgage products and was sold to Wachovia in 2006. But in *SNL*'s gross exaggeration, the Sandlers dump a lot of bad loans on Wachovia, which causes Wachovia to go bust, and they walk away with \$8 billion in profit. A caption running across the screen reads: "Herb and Marion Sandler: people who should be shot."

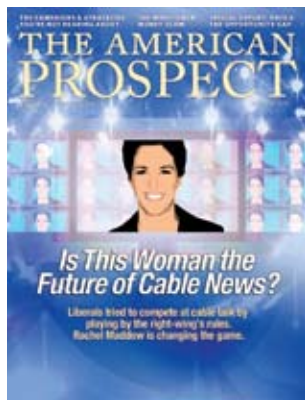
The final "victim" is billionaire investor George Soros, who boasts that he will end up with the entire \$700 billion bailout. Soros is captioned as "owner: Democratic Party."

The message is that Democrats and low-lives caused the crisis. It is a mark of right-wing cunning that conservative talking points ended up deep in the enemy territory of *Saturday Night Live*.

Watch for versions of this narrative, in op-eds, TV spots, talk shows, and debates. But you won't likely see it on *SNL* again. The duped and embarrassed producers first removed the skit from their site and then put it back, stripped of the astonishing line that Herb and Marion Sandler should be shot. **TAP**

— ROBERT KUTTNER

To dodge their responsibility for the financial crisis, conservatives are writing fictional alternatives.



MADDOW MATTERS

Since “Channel Changer,” assistant Web editor **SAM BOYD**’s profile of MSNBC rising star and liberal icon **RACHEL MADDOW**, hit news-stands, Maddow has doubled the ratings of her predecessor in the same time slot. We’re expecting our official MSNBC fruit basket any day now. Gossip blog **JOSSIP.COM** declared, “The industry freakin’ loves her.” The post quoted Boyd’s piece (“Of all the hosts Air America sent to cable news, Maddow was the one with staying power”) and called it a “rave review.” We prefer to think of it as an accurate prediction.

However, other readers expressed skepticism at Boyd’s optimistic thesis that Maddow would usher in an era of substance on cable news. One commenter on **TAPPED**, the *Prospect*’s group blog, argued that Maddow has no deeper knowledge of policy than any other anchor, writing, “Maddow is very bright, but any expertise she has extends no further than the nexus of AIDS, prisons, and health care. Upon completing her dissertation, Maddow has worked exclusively in radio and television. Maddow is successful because she is bright, good-looking, has a great voice, and comes across

as very likeable. She is not, however, an expert on political economy.”

COLOR BLOCKED

JEZEBEL.COM took note of *The Color of Opportunity*, our special report on race and the economy, and highlighted the pieces about women of color. “Few of the authors of these pieces offer any concrete answers given that the reasons the wage gap persists are so varied,” wrote blogger **MEGAN CARPENTIER**. “But maybe, as Bill Clinton said on *The View* this morning, the first step really is to acknowledge not how far we’ve come but how far we have left to go. As these studies indicate, that’s quite a way.” And writing in the **SEATTLE WEEKLY**, **JUDY MCGUIRE** succinctly stated that the report “shows that women of color get completely screwed when it comes to making money.”

TREASURY NOTES

MENZIE CHINN at the blog **ECON-BROWSER** linked to **ROBERT KUTTNER**’s “Meet the Next Treasury Secretary,” noting that *The Wall Street Journal* also found New York Fed Chairman **TIMOTHY GEITHNER** and FDIC Chair **SHEILA BAIR** to be buzz-worthy. Chinn cautioned of the bailout bill, “When thinking about what should be built into this legislation, think also about who you think will be implementing that legislation, come January 20.” The fact that Bob Kuttner and *The Wall Street Journal* agree on who that person should probably be is nothing short of remarkable....

MELTDOWN LOWDOWN

Speaking of the financial crisis and subsequent bailout

legislation, Kuttner has been posting daily commentary to *TAP Online* and appearing regularly on media outlets from Fox News to National Public Radio. “Kuttner reminds us,” writes **MATTHEW BOUDWAY** on **COMMONWEAL** magazine’s blog, “that the de- and non-regulation that led to the mess [have] been going on for decades.” With this in mind, staff writer and **TAPPED** blogger **DANA GOLDSTEIN** asked **BILL CLINTON** whether the financial meltdown was making him rethink the deregulation that occurred on his watch. The answer? Not really. And **ROBERT GORDON** wrote an online article debunking conservative claims that liberals caused the sub-prime

crisis by supporting the 1977 Community Reinvestment Act, which required banks to lend throughout the communities they serve. **ATLANTIC** blogger **TA-NEHISI COATES** declared, “Gordon offers a more technical takedown giving us a history of the CRA and basically summing up why the ‘Blame the Negroes’ theory is just wrong.”

Correction: The Rachel Maddow Show on Air America Radio airs from 6 P.M. to 8 P.M. EST.

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FROM THE EXECUTIVE EDITOR

THE BEST-SELLING COVER IN THE HISTORY OF THIS magazine, I’m told, was the one that warned in early 2003 that George W. Bush would prove “The Most Dangerous President Ever.” The last eight years have been a sharp reminder that the intelligence, curiosity, and moral character of the president—or lack thereof—can be profoundly dangerous to peace and prosperity, or can, on the other hand, offer profound hope. Writing on the cusp of the election that will determine who succeeds that most dangerous president, we are more conscious than I can remember being that the identity of the president is all but synonymous with our nation’s fate.

And yet, that classically American quest for a hero can easily tempt us to overstate the role of the president. As any of us who were working in government or politics during the presidential transition of 1993 know well, there are institutions that can make or break the president and our hopes for progress. Those institutions include not just formal legal entities, like the U.S. Senate and its most critical committee, Senate Finance, and the Federal Reserve, but the less tangible structure of ideas and assumptions that control what’s possible in Washington. This issue, framed by Ezra Klein’s short essay that puts the power of the president in perspective, looks at three of those institutions and the individuals who hold influence within them today. It is a crucial primer for the months and years of transition to a new political era. — MARK SCHMITT

Up Front



DICK CHENEY, DOMINATRIX

AS JAN. 20 LOOMS EVER CLOSER, VICE PRESIDENT Cheney confronts a grim dilemma: He may not be employable. With popularity ratings dipping close to single digits, the contempt of Democrats, independents and Republicans alike, and the reputation as the greatest threat to the Constitution since Madison thought the whole thing up, Cheney is looking at a future that may be confined to vast wealth, political isolation, and the occasional heart attack.

Still, there may be one market yet for the old boy's tricks. In a democratic republic, there are always those who respond positively to one thing with which Cheney has become indissolubly identified: torture. There's every reason to think that a well-provisioned "Dick's Dungeon" could be a growing concern, patronized by aficionados of bondage or water boarding or what have you. For those into verbal abuse, Dick's Dungeon could provide one-on-one sessions with David Addington, the Genghis Khan of the conference room. For legal fetishists, Cheney himself could offer Constitution-shredding sessions, responding to complaints that he's attacking the very essence of America with his signature "So?" For certain specialized staffers at Gitmo and other more obscure facilities, Dick's Dungeon would offer a way to continue to hone their professional skills. It may not quite measure up to the heyday of state-sponsored torture, but for a reviled former vice president, Dick's Dungeon provides Cheney the prospect of remunerative work in a familiar setting as he enjoys his golden years.

OUR FEARLESS PREDICTIONS

Lacking the ability to see into the future, and however confident we may be about one candidate's chances or another's, we at the *Prospect* have to send this magazine to the printers before we know how the elections turn out. This lack of information, however, won't stop us from prognosticating—a lack of information rarely does—about the post-election United States. Herewith, then, a top-10 list of things to come, to help you dry your tears or amplify your joys on Election Day:

10. History made with the election of either the first black president or the first totally unqualified vice president.

9. Self-identifying with partisan groups now limited to sports teams.

8. Commercials about mudslinging now solely about the laundry-detergent brand wars.

7. Journalists, liberated from the substance-free rigors of horse-race coverage, now able to pursue valuable speculation about the 2012 presidential election.

6. Confusing and threatening chain e-mails now limited to attempts to steal your money and identity, not your vote.

5. All Americans now know who our neighbors are: Russia and Iran.

4. Some states will no long-

er be important: Alaska and Iowa, we're looking at you.

3. No more need to argue with family members about politics at Thanksgiving, leaving more time for vital questions about aunt's suspected alcoholism and who mother liked best.

2. Recession ends as millions of American workers stop refreshing polling Web sites, start actually doing their jobs.

1. Elected officials in Washington put partisan politics aside and start working for the American people.

Just kidding! Here's the real No. 1:

The election is over!

19% APPROVE



BENEATH THE PARANORMAL

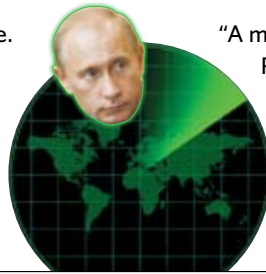
A person would have to be a full-time hermit not to

know that this has been a year of records. There's been Michael Phelps, Magellanic penguins in Brazil, the tanking stock market, the rocketing gas prices ... and last but not least, in both February and September of this year, there's been President Bush's approval rating, which, according to the American Research Group, fell to 19 percent to beat out Truman and Nixon for the all-time low for an American president.

Bush's record-low approval rating invites an obvious question: What else is out there that 19 percent of Americans believe? As it

THE QUESTION: GIVEN ALASKA'S RISE TO NATIONAL PROMINENCE, WHAT FUTURE EARMARKS CAN THE STATE EXPECT?

"Earmuffs for everyone. When other states protest, Alaskans say, 'No, not earmuffs—earmuffs!'"
—Ben Greenman
 The New Yorker



"A multibillion-dollar Putin Head-Rearing Detection System."
—Paul Waldman
 Media Matters

"We proceed with the bridge to nowhere, but we name it the Tina Fey Bridge."
—Ron Bloom
 United Steelworkers

happens, Bush's approval rating is tied with the percentage of Americans who believe that God has spoken to them personally. More Americans believe that extraterrestrials are real and among us (24 percent). More (23 percent) are sure they've seen a ghost. There must be *something* that fewer Americans believe in than the merits of Bush's presidency, something that pollsters have simply neglected to ask about. For instance, how many Americans believe they've had beyond-the-grave communications with the late Gabby Hayes? Has to be lower than 43's approval rating, right? Right?

LIKING MIKE

At his Global Initiative in New York, former President Bill Clinton declared of Gotham Mayor Michael Bloomberg that "there is, in my judgment, no job to be done in America in any area of importance to our future that he would probably not do better than just about anybody else I have ever met." Which led us to ponder other jobs at which Bloomy might be at the top of the heap. Chef Bloomberg could develop a delicious cuisine devoid of trans-fats. Coach Bloomberg could finally bring some needed stability to the New York Mets. In the age of fashion trends for the tall and slender, Yves Saint-Bloomberg could develop a

clothing line for vertically challenged men. And Dear Mike Bloomberg might make a swell personal-advice columnist:
 Dear Mike,
 My kids are acting up, what should I do?
Mike: Clearly what you need is a direct parental takeover of your children. You should name someone—perhaps a former Justice

Department lawyer—as chancellor of your kids. And tap their phones.
 Dear Mike,
 I'm thinking of getting a divorce from my wife of 20 years. I just don't think we're in love anymore, but maybe I'm being impulsive. Should I go ahead and do it or give it a while and see how I feel later?
Mike: In theory, I support term limits. But recently I've

changed my mind on the issue. I think it's important to consider that we're in a financial crisis and so keeping her aboard might be the best option.
 So with limitless options, per Clinton, why is Renaissance Man Mike trying to change the law so he can keep on doing what he's doing? Could it be ego? Does he like the subway route that much?

PARODY by T. A. Frank

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[Wed, 29 Oct 15:26:45]

Avoid scams and fraud by dealing locally! Beware any deal involving Western Union, Moneygram

Private jet, mint condition. Runs perf. Must see 2 believe. 0.78 mpg. Buyer pays to remove Lehman logo. [pic](#)

Signed Damien Hirst bird shit. \$1 million. Reduced from \$4 million. Act fast. Will not last. [pic](#)

Earn money punching my ex-boss Richard Fuld in the face. 50 bucks per hit. No limit to number.

Devoted trophy mistress seeks new friend. Please do not work in finance. I enjoy the companionship of bankruptcy lawyers, tenured professors, and federal government employees. (Dissipated French counts will also be considered.) [pic](#)

Offering multiple reservations at Masa. All of them are for sale by me, because dinner was cancelled. Forever. But I've still got the table. You want it, you sushi-craving parasite? Show me how much. Serious offers only, please.

I am writing this in secret. Please help me. There is a credit-default swap in my living room. I am alone and do not know what it plans to do.

Two great kids, female (7) and male (5), are being offered as a pair for sale. Nannies had to be let go, and joy of parenting is outweighed by unfamiliar new care-giving burden. These children are both healthy, housebroken, and have great growth potential. Truly a rare opportunity. [pic](#)

Recent Senior Vice President of Derivatives Marketing seeking work in shipping, retail, agriculture, law, journalism, food processing, automobiles, or whatever the hell it is that you people out there do.

Selling Iceland. Everything must go. Great little country.

T.A. Frank is an Irvine Fellow at the New America Foundation.

Who Knew?

BY MARK SCHMITT

“IS THE PUBLIC SUFFICIENTLY WELL INFORMED TO govern?” This has been the central question of American democracy and was the subject of a long argument between John Dewey and Walter Lippmann in the 1920s. The question grows more complicated with

each generation. Today we might ask, “Can *anyone* know enough to govern?”

Bookending the Bush years are two great dilemmas that will forever change the way we think about the relationship between knowledge and democracy: the Iraq War and the financial bailout. Each has challenged us as citizens not just to form an opinion but to figure out what information we need to be confident in our judgment. Making the right judgment about the Iraq War, it turned out, did not involve knowing as much as a Brookings Institution scholar would about Saddam Hussein, his intentions, or his military capabilities. Instead, what those who made the right judgment in 2003 knew—and what others could not recognize—was that our own government was not to be trusted.

“Never trust your government” is hardly a useful rule of thumb and is plainly unhealthy for democracy. But faced with Treasury Secretary Hank Paulson’s request for the authority to spend \$700 billion to bail out banks, many members of Congress and ordinary citizens found ourselves asking, “Why should we trust this Cabinet official?”—after everyone from Secretary of State Colin Powell to the president himself had lied about Iraq.

Whether or not to trust Paulson’s dire predictions was the most important question anyone could reasonably ask about the bailout, though, because the reality of the situation on Wall Street

was so complex and opaque that the truth was unknowable. Indeed, that was the very cause of the crisis: Wall Street had created financial products so complex, and so distant from the actual underlying values of goods and services in the economy, that its banks no longer had any idea what they held and how risky it was.

The financial crisis thus revealed the limits of knowledge in another way: the limits of market knowledge. Perhaps the most persuasive argument for markets as opposed to centralized planning remains Friedrich Hayek’s 1945 essay, “The Use of Knowledge in Society,” which argued that creating a “rational economic order ... is a problem of the utilization of knowledge which is not given to anyone in its totality” but instead involves “dispersed bits of incomplete and frequently contradictory knowledge which all the separate individuals possess.” Those dispersed bits of information are prices, and the market economy—what Hayek elsewhere called the “catallaxy”—aggregates the information contained in prices and puts it to work in the way that Google aggregates information on the Internet.

Hayek had a good point (in this essay, at any rate), but what happened this month on Wall Street is a complete meltdown of his catallaxy. Wall Street’s delusion was that it could put a price on anything—through the use of the Black-Scholes formula for valuing options and vastly more sophisticated risk-pricing models—and it constructed an entire financial economy based on these derived prices. When it turned out that the underlying risks were misunderstood, the entire structure, based on knowledge that wasn’t really knowledge, collapsed.

Wall Street then essentially handed it all to the United States—to us—saying in effect, “We don’t know what this is worth; you figure it out.” And while the U.S. government may not have any better knowledge of the rational economic order, it at least has the capacity to absorb the risks.

And so, we find ourselves back where Hayek started in London after World War II, with the government—and citizens—in control of critical levers of our economic order. It did not happen because of a sudden reversal in the post-war consensus, so that centralized ownership and planning are now favored over the dispersed knowledge of

a market economy. Rather, it was the total failure of the market in one sector that led it to fall desperately back on government and, in effect, centralized planning.

Now that we, as citizens and not shareholders, own much of the financial economy, there

will be countless complex decisions ahead, all with giant numbers attached to them. Can any of us, or our elected representatives, know enough to make those decisions well? And if we can’t, can we find our way back to trusting government as much as we trusted the market before the meltdown? **TAP**

*Now that citizens
own much of the
financial economy,
can we know
enough to make those
decisions well?*

Third Term's a Charm

BY DANA GOLDSTEIN

IT IS A WOMAN'S PREROGATIVE TO CHANGE HER MIND—
or so the saying goes. But in New York City politics these days, it seems that middle-aged male billionaires are the ones flip-flopping down the avenue.

After months of coy flirtation with the idea of a third term,

Mayor Michael Bloomberg formally announced in October that he would ask the city council to amend New York's charter to allow all sitting and future mayors and council members to serve three terms. No matter that Bloomberg heartily endorsed the two-term limit in the past, before it was clear that he wouldn't be running for president. The financial crisis, Mayor Mike now argues, is poised to ravage New York City's economy, and only a former investment banker like himself can be trusted to deal with the fallout from the problems created by, er, investment bankers.

Never underestimate the caprices of the superrich, for Hizzoner's cynicism is exceeded by that of Ronald Lauder, the cosmetics scion who sank \$4 million of his own fortune into the successful 1993 and 1996 ballot initiatives in favor of city term limits. Lauder has offered to back Bloomberg for a third term in exchange for a seat on a committee that could put the two-term limit back on the ballot in 2010. How craven. Lauder should either support a three-term limit for every politician or support it for none.

Bloomberg has been, undoubtedly, a more-than-competent mayor. Though advocates for issues ranging from education to affordable housing to historical preservation call his record mixed, the facts on the ground are that crime is down, tourism is up, and the mayor has built his second term around a bold plan to make New York City a worldwide lead-

er on environmental sustainability, with the goal of cutting carbon emissions by 30 percent over the next two decades.

So given his 70 percent approval rating and credible claim to a progressive legacy, should liberals and good-government types throw caution to the wind and embrace Bloomberg's power grab? After all, the drive to enact term limits during the 1990s was funded by private interests and part of a nationwide conservative attack on the concept of making a career out of elected public service. In hindsight, many states and municipalities that embraced term limits have come to regret it, realizing that governing, like any other job, is done best by those with expertise and a long view.

Phil Hardberger, the mayor of San Antonio, recently told *The New York Times* that term limits have been an "unmitigated disaster" for his city. "We do a lot of churning here, but we don't produce a lot of butter," said Hardberger, who is leading a ballot drive to allow officials to serve four terms instead of two.

What's more, term limits haven't brought the rush of new blood that proponents promised. Such laws were supposed to bring waves of women and minorities into office, and they did—at first. But after the initial crop of new leg-

islators was term-limited out, guess what happened? The next group who stepped up to run for office was predominantly male and white. Under term-limit laws, female and minority politicians never get the opportunity to develop the power bases that white guys have been cultivating for centuries. As a result, since 1995, female representation in state houses has grown faster in states without term limits than those with them.

The evidence certainly suggests term-limit laws, at least for legislators, should be reconsidered. And as distasteful as it is to see Bloomberg ask the city council to overturn a measure approved twice by voters at the polls, ballot initiatives have never been the best way to produce deeply considered, evidence-based public policy.

Complicating any consideration of term limits, though, is the political infrastructure of New York City, where it is notoriously difficult to get onto the ballot. Mayor Bloomberg himself fought tooth and nail in 2005 to prevent former Councilman Thomas Ognibene from challenging him in a Republican primary. And the Democratic Party machine is so entrenched in New York that "independent Democratic" neighborhood organizations, such as the New Kings Democrats, have sprung up throughout the city to provide progressive candidates with an alternative allegiance. Many New York City reformers are irate at Bloomberg's chutzpah and the establishment support it has generated.

The bottom line? With deep support on the city council and in the local press, a third run for Bloomberg is all but assured. The mayor's push was opposed by some of his closest advisers on the grounds that it would detract from their boss' good-government legacy. But ironically, regardless of developments in New York, Bloomberg's self-interested ploy could end up shining a national light on the disappointing track record of strict term limits, a policy whose heyday has come and gone. **TAP**

*Should liberals
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Against the Great-Man Theory of the Presidency

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Forget the president. Not totally, of course. The president matters. But not as much as you think. Not as much as you've been led to believe. The centrality of the executive is something of a convenient fiction in American politics. Convenient for the media, which can tell the story of national affairs by following a single character. Convenient for the party that holds the White House, which can outsource the messy work of constructing an agenda to one actor. Convenient for the party that does not hold the White House, which can create an agenda out of simple opposition. And convenient for voters, who can understand politics through the actions of a discrete player and offload their dissatisfaction onto the failures of a hapless individual.

But the "great man" theory of the presidency is not convenient when it comes to actually creating change. Again and again, presidents disappoint. They fail to pass health-care reform or Social Security privatization. They don't ease partisanship or break through gridlock. They prove impotent in the face of immediate crises and leave long-term challenges to fester. And so we tire of them, resolving to replace them with more presidents. Better presidents. Presidents of the other party, or of the same party, or of no party at all. Businessmen like Mike Bloomberg, insurgents like Ralph Nader, charismatic leaders like Barack Obama, self-professed mavericks like John McCain.

Executive leadership is important, of course, but the continual failure of our presidents should be lesson enough that it is not sufficient. The executive is but one actor in a sprawling drama. Consider this: Comprehensive health reform has been attempted or considered by Franklin D. Roosevelt, Harry Truman, Lyndon B. Johnson, Richard Nixon, Jimmy Carter, and Bill Clinton. It cannot be that they were all dunces, or weaklings, or incapable legislative tacticians.

A better explanation was proposed by the political scientists Sven Steinmo and Jon Watts in their paper "It's The Institutions, Stupid." Surveying this history of failure, they concluded, "The reason that the United States is the only country in the democratic world that does not have a comprehensive national health insurance system is that American political institutions are structurally biased against this kind of comprehensive reform." In other words, the failure of health-care reform was not a failure of executive will, but the executive's failure to master the independent institutions and external forces that would ultimately prove decisive in the legislation's success.

And, in a way, it was our failure as well. So long as the public understanding of American politics is so resolutely focused on the president, change will be a heavy lift, because the public will continually apply pressure to only that one point in the system—and often, it won't be the chokepoint.

Economic policy is a powerful example. Questions of job creation and fiscal management are central to our quadrennial presidential contests. But relatively few voters realize that the most important decision the president will make is who to appoint to the powerful, politically insulated position of chair of the Federal Reserve. He or she, after all, will control interest rates, decide whether to pursue full employment, and, in times of economic crisis, become something not far from economic czar. In recent months, the Federal Reserve has become, for regrettable reasons, rather more visible. But the powers and quirks of its chairman, **BEN BERNANKE** (*see page 14*), remain poorly understood.

National security is another example. All manner of observers can describe their favored plan for withdrawal from Iraq, argue the success of the surge, and knowledgeably place themselves within the liberal internationalist or neoconservative tradition. Such points are central to the presidential election. But relatively few voters keep a close watch on the military itself or understand the transformation it is undergoing as it adopts counterinsurgency doctrine. Fewer yet can name **JOHN MAGL** (*page 19*), the doctrine's most persuasive and visible apostle, much less describe his theories or detail the murky nature of his influence.

Health care is little better. The intense primary contest between Barack Obama and Hillary Clinton educated many Democrats on the difference between health plans with individual mandates and those without. Far more Democrats could describe this campaign minutiae than could identify the Senate Finance Committee as the crucial staging ground for any actual attempt at reform. Fewer still could name **MAX BAUCUS** (*page 23*), the committee's powerful and opaque chair, who will arguably be second only to the president in deciding whether health reform succeeds or fails.

In this issue, we attempt to shine some light on these neglected byways of American politics and policy. We are mindful that it is our November issue. The election issue. The presidential issue. Shortly after this magazine hits newsstands, the race will be over, and a president will have been chosen. This is the world he—and his agenda—will face.

—EZRA KLEIN

Republic of the Central Banker

In the middle of our market economy sits an island of central planning, the Federal Reserve. No president or Congress dares challenge the power of its chairman, Ben Bernanke.

BY J. BRADFORD DELONG

Ben Bernanke is the closest thing to a central economic planner the United States has ever had. He bestrides our narrow economic world like a colossus. Unelected (he was appointed by President George W. Bush and confirmed by an overwhelming majority in the Senate) and unaccountable (unless the Congress decides that it wishes to amend the Federal Reserve Act and take the blame for whatever else goes wrong with the economy), he is responsible only to his conscience—and his open-market committee of himself, the other six governors of the Federal Reserve Board, and the 12 presidents of the regional Federal Reserve banks.

The fate of the economy in the next administration depends far less on the president than on this moral-philosopher-prince to whose judgment we have entrusted a remarkable share of control over our destiny.

How did an ivory-tower academic whose specialty is the details of the Great Depression get to this position? What does he do all day? How did so much power come to rest in a single institution, a single individual? The current system is the product of a century and a half of evolution in the role of a central bank, on both sides of the Atlantic, through a series of accidents and crises. For a generation, the idea of social democracy—with government ownership, control, and regulation of at least the “commanding heights” of the economy—has been in retreat. But in the middle of this market economy is an immense island of central planning: the Federal Reserve. In normal times, the Fed—not the market—decides what the short-term interest rate is. The interest rate is perhaps the key price in the economy. It is the price at which we trade wealth in the present for wealth in the future.

When the interest rate is low, our focus is on the future: Businesses and consumers borrow and invest. When the interest rate is high, our focus is on the present because distant-future promises of cash are not worth very much in today’s dollars. You might think that if there were ever a decision we would leave to the market and the aggregated preferences of millions of individuals, it would be the terms on which we trade present comfort off for future wealth. But we don’t. We leave that

decision to the discretion of the philosopher-prince Bernanke and his committee. And in extraordinary moments like the September Wall Street crisis, when the flow of funds through financial markets dries up, we leave the decisions of which banks to nationalize, which to close down, which to forcibly merge, and which to rescue and on what terms to our financial overlords in the Eccles Building on the National Mall.

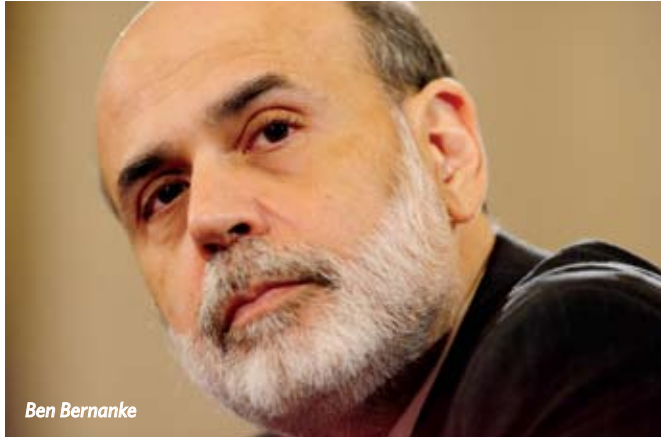
BEN SHALOM BERNANKE is perhaps more aware of the complex history that placed him in this role than any of his predecessors were. The eldest child of a schoolteacher and of a druggist and part-time theater manager, he was born in Georgia and brought up in South Carolina before heading off to Harvard in 1971. “What was it like being a southerner at Harvard in the 1970s?” is reported to have been the thing that George W. Bush was most interested in when he first interviewed Bernanke for a slot as one of the Federal Reserve’s seven governors. Bernanke then went straight on to graduate school at the Massachusetts Institute of Technology and earned his Ph.D. in 1979, a student of Stanley Fischer’s during a near-decade when it seemed like all the excellent young macroeconomists were students of Stanley Fischer’s. His first job was as a Stanford Business School professor, where he became a star. After six years at Stanford and a year at New York University, Ben Bernanke settled at Princeton. His last six years at Princeton, 1996–2002, he was an extraordinarily successful economics department chair.

“I always thought I would be an academic lifer,” Ben Bernanke said at a conference in 2005. “The sum of my political experience consisted of two terms on the local school board, six grueling years during which my fellow board members and I were trashed alternately by angry parents and angry taxpayers.” In spite of this lack of experience, the consensus was and is that he is one of the very best people for his job. “[The choice of Ben Bernanke] as the next Fed Chairman is a very good one: he is extremely bright ... a first rate expert in macroeconomics and monetary policy ... he has a broad and sophisticated—if somehow controversial—understanding of international macroeconomic issues. ... While being a Republican, he is not a partisan hack or too closely associated with the White House. ... He is



a wise and pragmatic policy maker”—so said Nouriel Roubini, perhaps the fiercest critic of recent Federal Reserve policy, when Bernanke was nominated nearly three years ago.

When Bernanke was appointed, the concerns about what he would bring to the position were threefold: Would he be too much of an inflationist—too willing to “drop money out of helicopters” to keep the economy going at a high-pressure pace when recession threatened? Would he be too rigid—likely to confine the Federal Reserve to an “inflation targeting” straitjacket? Would his belief that America’s large trade deficit sprang from a “global savings glut” rather than U.S. policy mistakes lead him to neglect the problems created by those global imbalances? None



Ben Bernanke

of these have proved relevant to understanding his tenure so far. Instead, the most relevant thing has been his long interest in the Great Depression and his judgment that the Federal Reserve erred catastrophically in the Depression not just by failing to stem the decline in those bank deposits necessary to fuel consumer spending but also by allowing banks to fail. In so doing, the Fed destroyed the organization and knowledge base that made banks trusted intermediaries between the myriads of savers with no knowledge of business prospects and the thousands of businesses with no direct ability to draw on individual savers’ resources. Avoiding the mistakes made during the Great Depression is Bernanke’s highest priority. “As an official representative of the Federal Reserve,” he said at the 90th birthday party for Milton Friedman, who in a 1963 book co-authored with Anna J. Schwartz argues that the Federal Reserve’s monetary policy was to blame for the Depression, “I would like to say to Milton and Anna, You’re right, we did it. We’re very sorry. But thanks to you, we won’t do it again.”

In 2002 he left Princeton for Washington, where he was one of the Fed’s governors for three years, then one of Bush’s White House economists for a year, and then named chair of the Federal Reserve on Feb. 1, 2006.

NOW GO FURTHER BACK in history to 1844, and pick up the story that leads to Bernanke’s current power and eminence. The place is London. The occasion is the debate in Britain’s

House of Commons over the terms on which the charter of the Bank of England—the government’s bank—is to be renewed. The British government was then the largest economic institution the world had ever seen, and Britain, the fastest-growing economy ever seen: It was the age of the original Industrial Revolution, with the first large-scale automated factories, the first steamships, the first net of railroads, and the first time that any national economy had developed the chronic disease that we call the industrial business cycle.

Before the 19th century the causes of times of economic distress were obvious: war, famine, or disease, or a state bankruptcy—a government that decided that it was simply not going to pay its debts. You could see what was going wrong and what had caused it.

The industrial business cycle was different—and mysterious. Factories would be shut but not because of a lack of raw materials or of workers who wanted the jobs or of people who needed the products. Construction workers would be idle but not because the country had enough railroads or buildings or ports. People would be much poorer than they had been a couple of years before but not because an invading army had burned their cities or a plague of locusts had eaten their crops.

What seemed to be happening was that the flow of funds of individuals’ savings into banks and then out to companies that wanted to expand or maintain operations somehow dried up. Sometimes the flow of money into the banks dried up first, and

Most relevant is Bernanke’s long interest in the Great Depression and his judgment that the Federal Reserve erred catastrophically.

so the interest rate the banks had to pay to attract funds and deposits rose. As a result, the interest on the loans the banks had made was suddenly less than the interest they had to pay out on deposits. The banks then ran short of cash, couldn’t pay their obligations, and crashed. This further dried up the flow of funds from savers: Why deposit your money in a bank that might crash next week? Sometimes the confidence of entrepreneurs in expanding their enterprises flagged and faltered, and the value that they paid each other for shares of ownership of factories and railroads and office buildings fell. Then they could no longer sell shares in their properties to pay back the banks from which they had borrowed—and the banks ran short of cash, couldn’t pay their obligations, and crashed. This too dried up the flow of funds from savers. Before the Industrial Revolution, these things didn’t happen. Ever since, they have happened roughly every five years, at varying levels of severity.

In reaction to these first contractions, the Bank of England developed a custom: In a panic, crash, or depression, when smaller banks were running short of cash, the Bank of England would print some up and lend it out to the other banks. Nobody thought that Bank of England notes were bad because nobody thought the Bank of England would crash: the British Empire would never let it fail. So the Bank of England lent to smaller

banks that could not meet their obligations, expecting repayment only after the crisis had passed. This lending would keep smaller banks from crashing, lower interest rates, and raise asset prices. Indeed, the crises did pass. Savers reappeared, and the interest rates banks had to pay to attract deposits fell. Entrepreneurs returned from their rest cures, recovered their confidence, and asset prices rose again. And the Bank of England got repaid—or at least got repaid enough of the time to keep the system going.

All of this was illegal. The notes the Bank of England printed were supposed to be backed by gold in its vaults. The 1844 parliamentary debate was about whether the Bank of England's charter should be amended to make legal what the bank was already doing. Prime Minister Robert Peel said no: If the Bank of England had the legal power to print extra notes to rescue banks in a crisis, he said, then the banks would get into more crises, taking more risks because they knew that the Bank of England would rescue them. But, Peel said, if the governor of the Bank of England decided, in a panic, to rescue banks or lend them money to prevent the panic from snowballing into a crisis and then into a depression—then the government would not prosecute its bank for violating its own charter. As Charles Kindleberger puts it in his book *Manias, Panics, and Crashes*, the principle was that the central bank should always show up when it was really needed, but beforehand, and in normal times, its appearance should always be in doubt.

As the 19th century passed, the Bank of England began to exercise its power to set the key price in the economy. There had always been a “bank rate”—a rate at which other banks could borrow from the Bank of England. At the start, the Bank of England would periodically adjust the “bank rate” to follow the general price in the free money market in normal times, but it found that the other banks were waiting for it before they would change their own lending rates. By the end of the 19th century, the short-term interest rate in Britain was administered rather than a market price all the time—not just in the panics when the Bank of England lent money in emergency-rescue operations.

The United States in the 19th century did without a central bank and had the world's severest panics and deepest depressions—in 1857, 1873, 1884, 1893, 1896, and 1907. In 1907, the financier J.P. Morgan said “enough” and constituted himself as a pick-up central bank because nobody doubted that his and his partners' fortunes were so large that their credit was good. In 1913 Congress created the Federal Reserve. The Federal Reserve did not acquit itself well during the Great Depression: Milton Friedman and Anna J. Schwartz always blamed that on the untimely death in 1928—just before the crash—of the Fed's leader, New York Federal Reserve Bank President Benjamin Strong, and the lack of competent replacements. Other central banks also did not acquit themselves well during the Great Depression: They all seem to have decided that maintaining the gold standard was more important than rescuing banks, which is why we no longer have a gold standard.

After World War II, the Federal Reserve found its footing.

Eight times a year, and in emergencies, the Federal Open Market Committee met to assess the levels of the federal funds rate and the Federal Reserve discount rate—the American equivalents of Britain's “bank rate.” The Reserve set its interest rates with an eye, first, to maintaining price stability (because inflation makes all other tasks much more difficult); second, to minimizing the danger of a future financial crisis; and, third, to keeping the economy's level of growth as high and unemployment as low as possible given the other two objectives.

In the first decades after World War II, the Federal Reserve came under heavy political pressure: Members of Congress would denounce the Fed for keeping interest rates too low and thus triggering inflation; other members of Congress would denounce the Federal Reserve for keeping interest rates too high and thus creating high unemployment and low real wages; presidents prodded the Reserve to lower interest rates to produce an economic boom at re-election times. But the 1970s taught members of Congress that criticizing the Federal Reserve is likely to backfire: If it takes your advice, you cannot then blame it for what has gone wrong in the economy. The 1980s taught presidents and their staffs that getting into a fight with the Fed is likely to shake business confidence and risk either higher inflation or higher unemployment or both. The memory of the 1970s and the 1980s created a culture inside the Federal Reserve of resistance to political pressure. Many in the Fed believe that the root cause of our only post-World War II depression, in 1982, had been caused by then Federal Reserve Chair Arthur Burns' willingness to bow to pressure from his political patron Richard Nixon to create a booming economy for Nixon's re-election campaign in 1972.

The last even semiserious political effort to pressure the Federal Reserve came in 1991, when George H.W. Bush's White House delayed Alan Greenspan's reappointment as chair and threatened to find a replacement if Greenspan and his committee did not lower interest rates far and fast enough to suit the White House—what then-White House counsel C. Boyden Gray told me were “counterproductive and pointless games.” Since Paul Volcker's appointment as chair in 1979, the Reserve has been effectively independent from the rest of the government. And whenever it makes a decision, the word comes down to all executive-branch officials to stay on message, as we were told when I worked at the Treasury in the 1990s:

“Our role at the Treasury Department is to support the independent regulators. ... The Treasury Department supports the actions taken by the Federal Reserve Bank of New York and the Federal Reserve. We believe the actions taken were necessary and appropriate.”

All this evolved not by design but by accident. The Bank of England did not start out thinking its job was to rescue the banking sector in crisis; it just found there was a crisis and thought it could do some good. Robert Peel did not set out to create a central bank, but prosecuting the Bank of England for charter violations seemed a mistake at the time. The Bank of England did not set out to supplant the market and turn the interest rate into a centrally planned and administered price, but monetary management in extraordinary times led to monetary management in



unusual and then in ordinary times. The 1913 U.S. Congress did not set out to turn Ben Bernanke into a philosopher-prince, but the absence of an American central bank was blamed for the dire panics and depressions that struck between the Civil War and World War I. And post-World War II presidents and congresses did not set out to cede all effective powers of national macroeconomic management to the philosopher-princes of the Federal Reserve; it just seemed like the least-bad idea at the time.

But just because central banking is independent of politics does not mean that politics is independent of central banking. “You may not be interested in the dialectic,” Leon Trotsky once said, “but the dialectic is interested in you.” That we now have independent central banks run by technocratic philosopher-princes like Ben Bernanke, and that we have these central banks because elected legislators and executive politicians do not want to challenge their authority or change their char-

come back as the bond market. You can intimidate everybody.”

A similar process had the opposite effect between 1995 and 2000. Greenspan’s belief—over the objections of many if not most of the members of his committee—in the “new economy” of the Internet revolution led the Fed chair to reduce interest rates below what standard Federal Reserve reactions found appropriate for the late-1990s levels of inflation and unemployment. This action generated the high-productivity, high-employment boom of the late 1990s that then turned into the dot-com bubble.

The current financial crisis has its roots in Greenspan’s decision to keep interest rates very low in 2002 and 2003 to head off the danger of a deflation-induced double-dip recession, and his subsequent decision that the costs of cleaning up after a housing bubble were likely to be less than the costs of the high unemployment that would be generated by a preemptive attempt to pop a housing-speculation bubble. Two years ago, I would have

said that Greenspan’s judgment here was correct. Six months ago, I would have said that his judgment was probably correct. Today—in the middle of the largest nationalizations in history—I can no longer state

that Greenspan made the right calls with respect to the level of interest rates and the housing bubble in the 2000s.

In all three of these episodes, the president and the Congress—neither of them wishing to erode confidence by a public disagreement with the Federal Reserve—had about as much power to set or influence policy as the Queen of England does in Britain: They had the power to talk to the decider—Greenspan then and Bernanke today—and nothing more.

The great financial crisis of 2007–2008 does not weaken but strengthen the Federal Reserve’s independence in the short and medium run, no matter how one apportions blame among the Fed, the SEC, other regulatory agencies, and the overpaid princes of Wall Street. A strong economy is in the president’s policy interest: policy initiatives, especially expensive policy initiatives, cannot be enacted and implemented when the economy is weak. And a strong economy is in the president’s and the current Congress’ political interest: Weak economies lead to re-election defeats. The policy and political dangers of challenges to the Reserve’s authority, independent status, and leading role are thus now unusually high and likely to remain unusually high for the duration of the current financial crisis and for a year or two thereafter. The next administration will find itself advising, warning, privately admonishing, and publicly partnering with an independent Federal Reserve that will see itself as rightfully and legitimately taking the leading role in economic policy.

Cicero said that the problem with his political ally Cato was that he thought they lived in the Republic of Plato while they really lived in the Sewer of Romulus. It is either our curse or our blessing that we live in the Republic of the Central Banker. **TAP**

J. Bradford DeLong, a professor of economics at the University of California at Berkeley, served as a deputy assistant secretary of the treasury in the Clinton administration.

The president and Congress have about as much power to set or influence economic policy as the Queen does in Britain.

ters, has powerful implications for the freedom of action and choices that presidents and elected governments can make. Let me give three examples:

At the start of the Clinton administration in 1993, Alan Greenspan as Federal Reserve chair was firmly and genuinely convinced that the federal budget deficit, at its level at the time, was inflationary. Deficits raise debt. One of the things governments do to get from under the burden of a high national debt is inflate the currency. Greenspan was firmly convinced that if he wanted to maintain price stability—and he wanted to maintain price stability—then he had to offset the upward pressure on inflation coming from expectations that someday the government would start printing money to ease its debt. To offset inflation, he raised interest rates and so created a supply imbalance in the labor market: You can’t have durable inflation without rising wages, and you can’t have rising wages with an excess supply of workers looking for jobs in the labor market.

Thus, the debate about the economic policy of the Clinton administration carried out in the fall and winter of 1992–1993—how to find the proper balance among middle-class tax cuts, public-investment expenditure increases, upper-class tax increases, and deficit reduction—was brought to a sharp and immediate halt by the Federal Reserve. Because Alan Greenspan was committed to keeping inflation low, any Clinton administration economic policy of benign neglect applied to the deficit would be very likely to produce a substantial recession. Greenspan, of course, said that he was not an unelected technocrat imposing his policy preferences on the elected president but merely an informant about the reality of the bond market—which generated James Carville’s crack about how he wanted to be reincarnated: “I used to think if there was reincarnation, I wanted to come back as the president or the pope or a .400 baseball hitter, but now I want to



The Cult of Counterinsurgency

A quiet revolution in the U.S. military has resurrected Vietnam-era strategies to fight the war on terrorism. Retired Lt. Col. John Nagl makes counterinsurgency seem so appealing that it's easy to forget its dark side.

BY TARA MCKELVEY

John Nagl's memories of Vietnam are vague, at best. He was, after all, only two years old during the 1968 Tet offensive and was in grade school in Omaha, Nebraska, during the fall of Saigon. It is perhaps for this reason that Nagl, a former tank commander turned military strategist, does not see Vietnam as a symbol of dishonor, the way older military officers do. Rather, the Vietnam War is a subject to be studied: Nagl's acclaimed book, *Learning to Eat Soup with a Knife*, explores lessons from the American experience in fighting an insurgency in Vietnam. He's been one of the foremost proponents of applying those same techniques in Iraq and Afghanistan.

The Vietnam War, he writes, shows the importance of understanding tribal loyalties, working to improve the lives of civilians, and training local forces. Many of these lessons were forgotten in the decades following Vietnam. Nagl believes this is an oversight, and he has worked harder than almost anyone to bring these fundamental tenets of counterinsurgency into the military mainstream. Indeed, he has helped turn things around so dramatically that now counterinsurgency not only is seen as a legitimate and honorable pursuit but has become the guiding doctrine of the U.S. military.

Nagl (pronounced like "boggle," he says), who led a tank platoon in the first Gulf War and fought in Anbar Province in 2003 and 2004 (23 soldiers from his unit were killed), retired from the military this summer and is a senior fellow at the Washington think tank Center for a New American Security. The 42-year-old Rhodes scholar is armed with missionary zeal, an arsenal of quotations about military strategy, and Red Bull-ish energy on the conference circuit. He is constantly tapping his feet, twirling his pen, and slamming his hand on tables when he talks. (An admitted self-Google, he is adept at self-promotion.)

Nagl has so successfully popularized counterinsurgency in the military and the general public that he is known as the doctrine's Johnny Appleseed. One Pentagon insider says his achievements can be attributed "solely" to his ability to flirt. But, sitting at an outdoor patio table above Pennsylvania Avenue on a late summer morning, Nagl denies the charge. "I am shocked, shocked," he says, jokingly explaining that he finds

it "appalling and demeaning and absolutely untrue." Then he leans back in his chair, takes off his glasses, and shakes his head slowly. "A man's got to do what a man's got to do," he says.

To that end, Nagl has helped rewrite the U.S. Army/Marine Corps counterinsurgency field manual, which is currently being used in Iraq. He believes that a new-and-improved counterinsurgency strategy will lead the United States to victory in Iraq and Afghanistan—and will ensure peace and stability in those countries and elsewhere in the world. In different venues, ranging from television studios to meetings with government officials, he has outlined tactics and reviewed his own battle-tested strategies of counterinsurgency, and he is widely recognized as one of the main reasons that the doctrine holds sway in Baghdad, Ramadi, and, most importantly, in Washington.

Counterinsurgency means, more or less, an attempt to defeat guerilla fighters who hide among a civilian population over an extended period of time (the word "guerilla" comes from the Spanish term for "small war"). These types of "low-intensity conflicts," as they are known, were fought by the French in Algeria, the British in Malaysia, and the Soviets in Afghanistan. The current U.S. strategy includes a heady mix of politics and military might and is based on French and English doctrine from the 1950s and 1960s, as well as lessons from Vietnam. Counterinsurgency has a special allure for liberal writers and thinkers because it offers a holistic approach, emphasizing efforts to win the hearts and minds of local people, and attempts to transform formerly autocratic governments into ones that respect human rights, women's education, and the rule of law. At least, these are the goals. Whether or not the strategy has been successful, or whether it even has the potential to succeed, is a matter of debate. Skeptics say that despite a sophisticated veneer, counterinsurgency is warfare of the nastiest, most brutal kind, and it lasts for years and years.

After John F. Kennedy became president, one of his first questions was "What are we doing about guerilla warfare?" Thanks in part to Nagl's success in promoting counterinsurgency doctrine, the new president will not need to ask. John McCain and Barack Obama have been trying to outshine each other with their praise of Gen. David Petraeus, who implement-

ed counterinsurgency tactics in Iraq. Both candidates have also endorsed a proposal for a military advisory corps, a program promoted by Nagl that will ensure the U.S. continues to use counterinsurgency tactics around the world. It's clear to anyone who has spent time in military and foreign-policy circles: The debate is over. Counterinsurgency is here to stay.

IRAQ DIDN'T START OUT as the test case for Nagl's favored military strategy. In the early days, counterinsurgency tactics were only used on an ad-hoc basis. Some commanders tried to build relationships with local civilians in order to track down insurgents; other units descended into lawlessness and violence. It wasn't until several horrific incidents made headlines—namely the Abu Ghraib scandal of 2004, followed by the killings of Iraqi civilians at Haditha in 2005—that the military began to re-evaluate its conduct and to attempt to implement a doctrine that would address some of these issues.

The wanton violence among some units as well as the dismal state of the war prompted Petraeus (himself a student of Vietnam-era counterinsurgency tactics) and others to devise a program to coordinate counterinsurgency efforts. In February 2006, Petraeus hosted a workshop, co-sponsored by Harvard's Carr Center for Human Rights, in Fort Leavenworth, Kansas, to revise the U.S. Army/Marine Corps counterinsurgency field manual. During those meetings, Nagl and other experts laid out the strategy for an intellectually challenging kind of warfare in which civilian and military activities are integrated, allowing soldiers and Marines to cooperate with humanitarian workers in an effort to win over the local population. It's a strategy that employs anthropological tools such as graphs that map social networks in local communities. The field manual represents a dramatic shift in the way the U.S. sees its military and its role in the Middle East and other places around the globe.

"The Army could have issued a document that says 'What to do in Iraq—now,'" says Edward Luttwak, a senior associate at the Washington-based Center for Strategic and International Studies. "They didn't do that. What the field manual prescribes is to make a vast political and economic effort to change Iraq, and the implication is 'This is what we should be doing around the world.'"

Perhaps the biggest post-Vietnam test of counterinsurgency doctrine has been the deployment of approximately 20,000 additional troops to Iraq in 2007—the effort known as "the surge." A precipitous drop in violence followed, and proponents of the surge were quick to claim that it had worked. But the reality is much messier and more complex. *The Washington Post's* Bob Woodward says the reduction in violence is due to a program known as High-Value Targeting, or the capture or killing of insurgent leaders, as well as the number of troops. Nearly everyone gives credit to the Anbar Awakening (the U.S. is paying approximately 100,000 individuals known as the Sons of Iraq about \$300 a month to keep the peace, and Sunni tribal sheikhs

make millions more through U.S. contracts) and to a pullback by the militia led by Shiite cleric Muqtada al-Sadr. These disparate elements, some coordinated by the military and some coincidental, have come together and tamped down the bloodshed.

While these various factors are still the subject of some debate among foreign-policy experts, the conventional wisdom in Washington is that the situation in Iraq has improved largely because of the new approach. In many ways, it does not even matter whether or not this is true. Counterinsurgency, as promulgated by Nagl and other military scholars, has become the accepted answer to what had seemed to be an intractable problem, and in a short period of time, the doctrine has become such a powerful force that it is cast in near-biblical terms. As David Kilcullen, a friend of Nagl's and a special adviser for counterinsurgency to Secretary of State Condoleezza Rice, recently explained during a panel discussion at the National Press Club, there is "B.C.—before COIN" and "A.D.—After Dave" (as in Petraeus). According to Nagl and other supporters, the reduced violence in Iraq is a sure sign that counterinsurgency can work. A new president should be able to take the lessons learned in Iraq and, after adapting them slightly, apply them to Afghanistan, then Pakistan, the Philippines, Colombia, Somalia, and elsewhere.

**One of John F. Kennedy's first questions was
"What are we doing about guerilla warfare?"
The new president will not need to ask.**

Critics such as Col. Gian Gentile, an associate professor of history at West Point and an Iraq veteran, argue that counterinsurgency tactics not only divert resources from other types of military training but also alienate civilian populations on a massive scale. "We could lose our edge in our ability to conduct other kinds of operations," warns Gentile. If China does something dramatic, the U.S. may be in trouble with its troops and resources bogged down in counterinsurgency efforts.

The new president *could* stop the buildup of troops in Afghanistan—an effort that could be called a "pre-surge"—and redirect the resources of the military toward more conventional warfare. But that seems unlikely. Many high-ranking military advisers are true believers in the doctrine. Skeptics like Gentile are in the minority. "It's not like I'm a dweeb who has to sit off by himself," he says, but he acknowledges that "the intellectual climate of the Army is pretty much stuck in counterinsurgency."

JOHN NAGL DOES NOT LIKE the word "colonialism," at least when it comes up during discussions about counterinsurgency. "It is such a bad word," he says, explaining that the U.S. has an important role to play in the world. "Madeline Albright got in a lot of trouble for the phrase 'The United States is the indispensable nation.' But to a large extent that's true."

Many people say Iraq is a lesson: This kind of thing will not—should not—happen again. But Americans have sworn off intervention before, most recently after the 1993 "Black Hawk Down" incident in Somalia, and since then the U.S. has



been involved in a new conflict (Haiti, Bosnia, Kosovo, and Afghanistan) roughly every two years. It's a pretty safe bet that the strategy Nagl promotes, whether it is called neocolonialism or counterinsurgency, will be applied in various regions over the next several years, with the incoming president's oversight.

Counterinsurgency is known as a thinking man's war, and it has attracted some of the country's best and brightest. In many ways, the doctrine comes across as refreshingly law-abiding, a product of a post-Abu Ghraib era. The field manual, as Nagl and other supporters point out, has a chapter on morals and values. Counterinsurgency is big on hearts and minds. In the wake of the Iraq War, no wonder it has been embraced.

The doctrine is so appealing and intellectually fascinating that it has its own subculture in Washington. There are rock stars

David Galula, "the Clausewitz of counterinsurgency," a French army officer who wrote about Algeria.) What happens on the battlefield may matter less than how this joint military-civilian project unfolds in Washington.

The new president, Nagl says, will have to work to achieve a balance among the State, Treasury, and Agriculture departments and other agencies that are needed in this effort. State Department employees, for example, have been asked to join provincial reconstruction teams that provide medical, engineering, and other assistance for rebuilding Iraq. The president will also be dealing with a military that has, for better or worse, become counterinsurgency-centric. Three of the most prominent officers who support the counterinsurgency campaign in Iraq were promoted to brigadier general in July. Not

to mention Petraeus, who was recently named head of Central Command, which oversees all military operations in Central Asia, the Middle East, and East Africa. The president will have to figure out how to implement the new doctrine, or else incur the wrath of some powerful military men who have invested their lives in it.

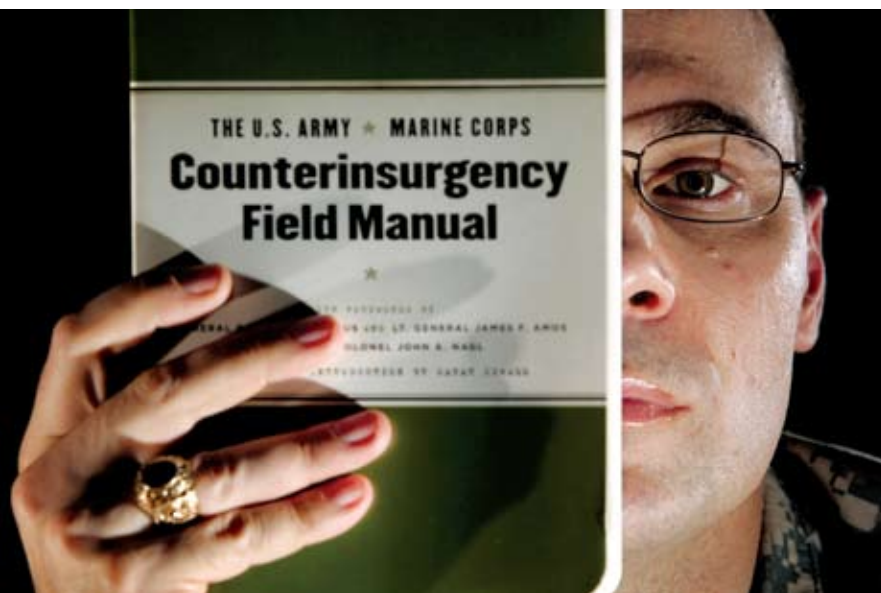
When asked about the cost of the new counterinsurgency model, Nagl shrugs. "Losing wars is really expensive, and sons of bitches flying airplanes into our buildings is *really* fucking expensive," he says. "So let's not do that anymore."

Administration of the counterinsurgency doctrine could be modeled on the Civil Operations and Revolutionary Development Support, or CORDS, a program that coordinated military and civil affairs in the late 1960s in an effort to defeat the insurgency in Vietnam. Nagl talks about creating a new position, senior director for counterinsurgency, on the National Security Council in order to oversee the effort. A tough job, he admits. "You need somebody really persuasive." It is not hard to figure out who he might have in mind.

OUTSIDE A TRAILER AT the Marine Corps' Center for Irregular Warfare in Quantico, Virginia, a thermometer shows 101 degrees. The place looks hastily thrown together, and it smells of wood from railings secured along a walkway outside the trailer. This training center is part of an ambitious campaign to teach counterinsurgency tactics to a new generation of soldiers and Marines. On other training grounds across the country, the military has built mock Iraqi villages, complete with "real Iraqis," as one Marine tells me, hired by private contractors. Soldiers in the dusty hills of Yakima, Washington, and in the swamps of Louisiana are being trained in the doctrine. And counterinsurgency academies have been established in Iraq and Afghanistan.

Through these efforts, the military is approaching counterinsurgency in a systematic way. Troops are studying manuals on cultural awareness and learning the basics of Islam. They are also learning how to fight in a civilian environment.

On a September morning, three Marines are sitting around a



By Any Means Necessary: Lt. Col. (Ret.) John Nagl displays the manual he helped produce.

(Nagl and Kilcullen, who were celebrated on a now-defunct military gossip blog for their personalities as much as the doctrine they espouse); a celebrity couple (Kilcullen and Janine Davidson, author of the forthcoming book *The Fog of Peace*); a guru (Petraeus); a cult-classic film (*Battle of Algiers*); and a magazine (*Small Wars Journal*). Many in the counterinsurgency movement are, like Nagl, too young to have fought in Vietnam. They see counterinsurgency as a doctrine that has been unfairly vilified.

Among all of these major players, Nagl stands out. His detractors call him a show-off. But most everyone, including Nagl's skeptics, agrees that he has played a key role in establishing counterinsurgency as a dominant military strategy. "It took a lot chutzpah and a lot of intellect to do what he did," says Lt. Col. Conrad C. Crane, a retired Army officer and the chief author of the counterinsurgency field manual. "He's an important force in the intellectual ferment that produced this."

One of the most enduring legacies of the doctrine may be its scope: It is an all-encompassing effort that requires various parts of government, and it extends beyond the traditional role of the armed forces. Counterinsurgency, as Nagl explains, is "80 percent political, 20 percent military." (He is quoting

table in a conference room at the Center for Irregular Warfare. The chairs rumble when an MH-60 helicopter flies over the building. The three men, Col. Daniel Kelly, Col. Nick Marano, and Lt. Col. Tommy Scott, are all working on programs to train Marines in irregular warfare. Kelly, a barrel-chested man in desert boots, and Marano, who has dark hair and bushy eyebrows, have both served in Iraq and do not seem like bookish types. Yet over mugs of coffee, they argue passionately about the differences between counterinsurgency and counterterrorism, as defined by military doctrine. "Counterinsurgency is more holistic," says one. "Counterterrorism involves broader reach of power," explains another. The Marines are engaged, openly and passionately, in a discussion set in an empirically based field of study. Yet somehow they remind me of the guys in *Reservoir Dogs*—jewelry thieves who join in a textual analysis of Madonna's "Like a Virgin" while sitting in a diner.

Nothing against the Marines at the Center for Irregular Warfare—all three seem smart, friendly, and law-abiding—but their conversation illustrates how the science of counterinsurgency can seem absurd. The difference between counterinsurgency and counterterrorism, for example, may be more political than semantic. Counterterrorism is "the long war," as the global war on terrorism is now called, and counterinsurgency is part of this effort. But semantics do matter. When Marines break down the door of a house in Baghdad, they could find an insurgent or a terrorist, depending on what they choose to call the captured suspect. That designation has serious implications. As one human-rights advocate explains, U.S. officials call people terrorists when they want to make them sound really bad—or send them to Guantánamo.

Like counterterrorism, counterinsurgency may also involve

20,587 Vietnamese were killed. Nagl admits that Operation Phoenix incurred "human-rights violations." Not to mention "a huge amount of controversy" says Carter Malkasian, director of the Stability and Development Program at the Center for Naval Analyses, a military think tank, and co-editor of *Counterinsurgency in Modern Warfare*.

"There are some drawbacks," says the 33-year-old Malkasian, "but it's considered to be worthwhile." And that is why the underlying ideas of Operation Phoenix have worked their way back into the U.S. military. The Iraq-era version of this is known as High-Value Targeting. It involves house raids, sometimes called "snatch missions," which used to be carried out by Special Forces only. Now just about all troops conduct them. U.S. and NATO air strikes in Afghanistan have increased, and so have civilian deaths, which tripled between 2006 and 2007, according to Human Rights Watch.

"If you kill a very large number of civilians, you'll cow a population," Malkasian says. "But it's the wrong thing to do." On the phone, his voice is measured, as if he were conducting a cost-benefit analysis. You get the feeling that Malkasian, like many of the people who are involved in counterinsurgency campaigns, is open to all sorts of possibilities.

And, yes, it is possible for counterinsurgency to succeed, says Luttwak of the Center for Strategic and International Studies. It depends on how much "blood and treasure" you put into it. Few people know as much about irregular warfare as Luttwak does—and he is not impressed by what he has seen in the Middle East. Luttwak, 65, who is the author of *Coup d'État: A Practical Handbook*, says U.S. troops should pull out of Afghanistan. "What the fuck are we doing there?" he asks. "Much better to abandon it and do occasional punitive expeditions as opposed

to counterinsurgency and its enormous costs. I've been to Afghanistan. Basically, you'd have to kill every single Afghan and take all the children and put them in boarding school, preferably in England."

Luttwak has come to the conclusion that the U.S. doctrine of counterinsurgency is doomed, largely because nearly *all* counterinsurgency campaigns end in disaster. Other critics say the current policy is less about making the world safe for democracy than it is about making the world safe for U.S. economic and political interests. The specter of Vietnam—with all its disappointments, bloodshed, and suffering—looms.

Finishing up his coffee, Nagl tells me that he is an admirer of British novelist Graham Greene. "He does a wonderful job of showing that motivations are not simple and that the best of intentions go awry," he says. "In *The Quiet American*, he delves into America's guilt and shows how, with the best of intentions, it was responsible for profoundly screwing up in Vietnam. There are obviously parallels with our actions both in Iraq and Afghanistan."

But, Nagl says, he believes that today Americans can do things better. And that, more or less, is where the conversation ends. **TAP**

Counterinsurgency doctrine extends beyond the traditional role of the armed forces. It is "80 percent political, 20 percent military."

dirty tactics. In *Reservoir Dogs*, the guys at the diner are in a shady business. If you are involved in counterinsurgency, chances are you, too, will encounter barbarism. Americans have been tortured, mutilated, even crucified, in Iraq and Afghanistan. Nagl tells me that he believes journalists should carry a gun in certain parts of Iraq—to use on themselves if they are captured. Some argue that the behavior of America's enemies, whether they're called terrorists or insurgents, has been so savage that the U.S. must also engage in unconventional tactics. As Vice President Dick Cheney famously explained, Americans must go to "the dark side." In counterinsurgency, things are done in shadows. This is part and parcel of the doctrine, and the new president will have to figure out where to draw the line.

In Vietnam, "the dark side" of counterinsurgency was a clandestine project known as Operation Phoenix. It involved getting rid of Viet Cong leaders "by any means necessary," as Nagl writes in *Counterinsurgency in Modern Warfare*. Through Operation Phoenix, which was part of the CORDS program,



The Sleeper of the Senate

As chair of the Senate Finance Committee, Max Baucus could all but ensure the passage of a progressive social-policy agenda. Or he could be its biggest roadblock.

BY EZRA KLEIN

At 3:45 P.M. on the first day of the Democratic National Convention, Max Baucus, arguably the most consequential legislator in America is not preparing for his big speech. In fact, he won't be giving a speech. Nor is he holding court in one of the Pepsi Center's sumptuously appointed luxury boxes. Rather, he's a good 40-minute hike up Denver's main drag, camped out in the back room of a dank little bar called City Grille ("Good Value. American Food. Great Place."). His aides are folded into the booths, swirling the melting ice in their glasses. I'm in the bar for 10 minutes before I even know they're there.

Baucus is chairman of the Senate Finance Committee. Staffers like to say that the committee is responsible for all the money the government raises and half of what it spends—and that's not too far from the truth. It is the only Senate committee able to construct new funding streams, which gives it incredible authority over the country's social-policy architecture. It has control over taxes and trade, Social Security and Medicare, health reform and unemployment benefits. Even a carbon-pricing bill would probably need its sign-off. "Everyone in Congress always worries they'll end up on the Subcommittee for Acoustics and Ventilation," jokes Sen. Ron Wyden, a Finance Committee member. "The Senate Finance Committee is the opposite. It's the forum where the biggest financial decisions of our day come, and we have to figure [out] how to tackle them."

For that reason, the leadership of the Finance Committee has traditionally produced legislative giants. Russell Long. Bob Dole. Bob Packwood. Lloyd Bentsen. Daniel Patrick Moynihan. These men were darlings of the Sunday talk shows. They rivaled the power of the majority and minority leaders of the Senate, and they were tapped to fill presidential tickets. Max Baucus, however, is not a giant. He is a polite man with sensible silver glasses and a gentle handshake. He is roundabout in conversation, and punctuates his points by raising his eyebrows and smiling slightly, as if pleading with you to agree with him. He has served five terms as a senator from Montana, a state with one of the smallest populations in the union. Insofar as he has any national profile at all, it's as a Democratic apostate. He partnered with Republican Chuck Grassley to craft President

George W. Bush's first tax cut and angered the Democratic leadership by refusing to consult them before the bill's markup. He further infuriated his party by helping Republicans pass the Medicare prescription-drug bill even after they had locked the Democratic leadership out of conference committee. He voted for the 2005 bankruptcy bill. For his sins, *The Nation* has branded him "K Street's Favorite Democrat." This magazine termed him "Bad Max." *The New Republic* editorialized that he should be stripped of his chairmanship.

These are all facts about Baucus. But these are also facts: In 2005, when Bush seemed all but politically invincible, Harry Reid put Baucus in charge of the Democratic effort to block Social Security privatization. Baucus creamed Bush. Privatization never even came up for a vote. In July, the Senate was gridlocked over how to trim Medicare spending. Inaction would have triggered an automatic 10.6 percent pay cut to doctors and likely have caused many to stop treating Medicare patients, throwing the program into crisis. Democrats sought to slash reimbursements to private insurance companies that were charging 120 percent more per beneficiary than Medicare. The fix was blocked, in part by Grassley, the ranking Republican on the Finance Committee and Baucus' good friend. So Baucus cut Grassley out of the process, taking the bill directly to the floor and setting the stage for Sen. Ted Kennedy's dramatic return to the Senate, where he cast the decisive vote.

This is the uncomfortable reality that will face the next administration. While most reformers have been obsessed with the policy details of the presidential campaign—health-care mandates or simple subsidies? tax cuts or credits?—much of the success of the next president's agenda will, in truth, rely on the actions of one of the most experienced, inscrutable, and unpredictable politicians in the country. Over the next two years, Max Baucus could prove a progressive legislative giant. Or he could be Bad Max.

WHAT SO UNNERVES MOST observers is that Baucus is not a creature they easily recognize. If he were a self-interested dealmaker like Alaska's Ted Stevens or a raw opportunist like former Sen. John Breaux, dealing with him would involve nothing more than an assessment of his interests. If he were

an impassioned crusader—even in the wrong direction—that would at least be a familiar archetype. But if Baucus is impassioned, he keeps it to himself. In this, he maps easily onto the culture of his committee, which is not traditionally friendly terrain for ideologues. Rather, it has housed many of the Senate’s most famous moderates and amassed a reputation as a bipartisan redoubt within an increasingly polarized Senate. “We were there to represent a national constituency,” recalls former Sen. Dave Durenberger, who served on Finance from 1978 to 1994. “The agenda was just too big, the jurisdiction too broad, and the agenda was too heavy for one party to carry.”

Baucus is, in many ways, a throwback to this lost era of bipartisan civility. Like Durenberger, he arrived on the Finance Committee in 1978, when it was chaired by the legendary Russell Long (when Republicans took control in 1981, Bob Dole, the new chair, quipped: “So who’s going to tell Russell Long?”), and served among moderate dealmakers like John Chafee and Lloyd Bentsen. This bipartisan tradition is why, though the committee has not proved immune to the polarizing trends that have seized Congress, it remains a relatively functional institution.

But the committee’s bipartisanship is the result of more than simple high-mindedness. The reality is it cannot indulge gridlock. Elsewhere in the Senate, the battles are over new legislation. If bills are killed, the downside is that something doesn’t happen, and no one really notices. But the Finance Committee deals in mandatory money, expirations, and reauthorizations. These are bills that must be passed. If they fail, something stops happening—say, 35 million children get kicked off the State Children’s Health Insurance Program—and the voters cry out.

Moreover, on Finance, progress is often profitable. Elsewhere in Congress, there’s a certain political logic compelling the minority to obstruct legislative progress. Doing nothing is preferable to handing the other side an accomplishment. On Finance, however, the symbolic politics dissolve. When you’re responsible for raising massive revenues and passing necessary legislation, modifying the process is more attractive than grinding it to a halt. As one former Baucus staffer puts it, “In the health world, it’s often a good-versus-evil battle over the role of the government. The tax world is more like whoever’s at the table, we’ll make a deal and get you something.” That can mean wresting a small benefit for a home-state interest, or it can mean ensuring attention to a cherished issue.

That’s also what gives the finance chairman his power. Like other chairmen, he has the normal levers of committee control: He can schedule hearings, markups, and votes. He can write the first draft of legislation. But the breadth of the committee’s jurisdiction means it goes further than that. The chairman may pick a vote for the Medicare bill because the member is desperate to protect a priority in the tax bill. “Baucus is very good at that,” says one top former committee staffer, “at going to members and finding out what they need and what they want. He gets bombarded by members with pet issues. Every time he walks on the floor he comes back with 12 sticky notes. And he looks at that as a key way of putting legislation together. By the end, he has his staff assemble what everyone wants together on a single piece of paper so he can see it all.”

BUT MANAGING ALL THOSE sticky notes, and preventing bills from getting bogged down in the deal-making, demands a lot from the chair. “The adjective that every chairman wants in front of their name is ‘tough,’ and it is rarely true,” says Lawrence O’Donnell, who served as Daniel Patrick Moynihan’s chief of staff. Baucus is not known as tough. In fact, he’s generally been understood as scared—a senator paralyzed by an acute awareness of his own political mortality. Montana has voted for the Republican candidate in nine of the last 10 presidential elections. In 2000, Bush took the state by 25 points. For much of that time, Baucus was the only Democrat elected statewide. Survival was rarely assured, and so he has developed a political style suited to appeasing a skeptical electorate with a conservative bent.



Sen. Max Baucus

His appetite for pork—and his skill at wresting it for his state—is so legendary that *The Washington Post* branded him a “High Plains grifter.” As one former Baucus staffer put it to me, “He’s like the city councilman for the state of Montana.” And, he’s well known for his tendency to break with the Democratic Party. In 2001, he was so instrumental in passing Bush’s tax cut that he stood behind the president at the bill-signing ceremony, a visual that featured prominently in his 2002 campaign ads. (In 2003, however, Baucus voted against the second round of tax cuts.) He voted to repeal the estate tax and earned a 70 percent approval rating from the Chamber of Commerce.

Also helpful is the fact that Baucus never enters an election underfunded. “One of the rewards I was told about before I selected the committee,” says Durenberger, “was someone said, ‘You have to run for re-election. This is the best place to raise money.’” Much of Baucus’ cash comes from the industries most affected by his committee’s legislation. According to the Center for Responsive Politics, this cycle has seen Baucus raise almost \$800,000 from securities and investment firms, \$565,000 from the insurance industry, and \$462,000 from the pharmaceutical industry. Ninety percent of his funds have come from out of state. In total, he’s raised more than \$10 million. (Some of which has gone to the Democratic Senate Campaign Committee; Baucus bragged to me that he had more than doubled the target contribution set by Sen. Chuck Schumer.)

Meanwhile, Montana itself is changing. Where Baucus was for two decades the only Democrat elected statewide, his Senate



colleague Jon Tester and Gov. Brian Schweitzer were swept into office in the last two cycles and both are considered models of a new type of outspoken, politically confident Western Democrat. Where Republicans used to view Baucus as a vulnerable target, this year they couldn't even find a credible opponent to challenge him. Instead, he will face 85-year-old attorney Bob Kelleher, a 16-time candidate who has sought office as a Republican, a Green, and a Democrat, and seeks to replace Congress with a parliamentary system, nationalize the oil and gas industries, and institute a single-payer health-care system. He has raised so little money that the Center for Responsive Politics doesn't even have data on his war chest. This will be Baucus' sixth campaign for the Senate, and it is his first in which he faces no real threat. And did I mention he has \$10 million?

BAUCUS IS A FIFTH-GENERATION Montanan. His grandfather helped bring aviation to the state. His father owned a 125,000-acre ranch outside Helena. His desk features a plaque that reads "Montana Comes First." But ask Baucus what pushed him into public service, and you find the answer half a world away. "I took some time off from college to hitchhike around the world," he recalls. "I met interesting people, and I learned that there were challenges everywhere that showed the need for people of goodwill to go to work. So when I came home, I determined to try to do what I could to help address some of the challenges that we face, here in America."

Much of the success of the next president's agenda will rely on the actions of one of the most inscrutable politicians in the country.

After finishing law school at Stanford, Baucus spent three years as a lawyer at the Securities and Exchange Commission. He moved back to Montana in 1971 to serve as the executive director of the state's Constitutional Convention. The resulting charter was one of the most progressive in the nation, including, among other things, the right to "a clean and healthful environment" and a guarantee of educational equality. In 1972, he was elected to the Montana House of Representatives. In 1974, he won a close primary and election for the United States Congress by putting in the shoe leather: He walked 600 miles up and down the district, knocking on doors. By 1978, he was a U.S. senator. He was 36.

At the time, the progressive tradition in Montana politics was still a live force. But not long into the Reagan years, early in Baucus' career, Montana began to look like just another right-wing Western state, in which Baucus' tip-toe survival was the single exception. Now that Montana Democrats have roared back, Baucus is the sole figure who connects the earlier progressive era with that of Schweitzer and Tester. But in being of so many political periods, Baucus is not quite of any of them.

Rather, at this point, Baucus is of the Senate. With about 30 years of seniority, Baucus is one of the more experienced members of the chamber. But though he has many relationships, he

has only a handful of friends. "Max was not an easy person to get real close to," says Durenberger. "I remember we traveled to South America with [Sen. Lloyd] Bentsen for two weeks and Max had his nose in a Tolstoy book the whole time and then when we got off the plane he went jogging. He's his own person." ("It actually wasn't Tolstoy," says Baucus. "It was *The Iliad*.")

Baucus does have one incredibly important relationship: his partnership with Chuck Grassley, the Finance Committee's ranking Republican. Even on a committee known for its bipartisanship, the relationship between Baucus and Grassley is surprisingly close. Observers talk often of their unofficial co-chairmanship, where each makes the other a central player no matter who actually holds the gavel. Many credit their closeness to a certain symmetry of temperament and self-conception. Both have a reputation for that slight shadow of insecurity and resentment that comes from not being the flashiest or most graceful or most eloquent guy in the room. Musing on their relationship, Baucus says, "We're both from sugar states, you know, farm-ranch backgrounds. And sure, everyone's got [an] ego in the Senate, but I tend to think we don't wear our egos on our sleeve, like some others do. That makes it easier for us to work together."

And they often do, frequently to powerful effect. Baucus and Grassley worked together on the State Children's Health Insurance Program reauthorization and expansion (like Baucus, Grassley has a tendency to break with his leadership, and

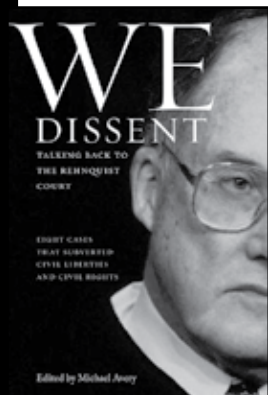
he crafted the S-CHIP compromise against party opposition and his own president's veto threat) and were able to construct a bill with hefty bipartisan support. They joined together to build Bush's first

tax cut and to craft the Senate version of the Medicare prescription-drug benefit. Their partnership creates a workable process in a committee that can't afford gridlock. "Go back to the made-up subcommittee on the Committee on Acoustics and Ventilation," says Wyden. "If the chair and the ranking member were not able to reach common ground then, in the broad sweep of Western civilization, not much would suffer. But on the Finance Committee, the issues are different, and a good relationship takes on special value."

BUT BAUCUS' HABIT OF COMING to agreement with not only his committee's ranking Republican but also the Republican Party has often led to sharp tensions with the Democratic Caucus. Baucus has always been moderate, but no more so than red-state senators like Blanche Lincoln of Arkansas or Ben Nelson of Nebraska. When Baucus ascended to chair of the Finance Committee, however, his tendency to cut a deal with the Republicans rather than stand with the interests of the Democratic Party caused no small amount of controversy. In particular, Baucus found himself butting heads with Majority Leader Tom Daschle, who also served on the Finance Committee.

The key event was the 2003 Medicare vote. The original Senate bill had broad bipartisan support, including from such

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WE DISSENT

Talking Back to the Rehnquist Court: Eight Cases that Subverted Civil Liberties and Civil Rights

EDITED BY MICHAEL AVERY

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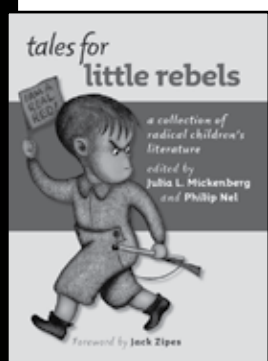
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progressive luminaries as Ted Kennedy. But the version of the bill passed by the House of Representatives was a demonstration of Tom DeLay's ability to wield raw partisan power. The two chambers met in conference committee to come up with a final bill, but Republicans largely locked Democrats out of the process. Only Baucus and John Breaux—two Democrats known and mistrusted for their moderate tendencies—were allowed in. It was a slap in the face to the bipartisanship Baucus and Grassley had worked so hard to maintain. Bill Thomas, then chair of the Ways and Means Committee, controlled the process, and he larded the legislation with health savings accounts, private insurers in Medicare, a prohibition barring the government from bargaining down drug prices, and much else on the conservative wish list.

The Democratic leadership in the Senate judged the situation a cruel farce and urged both Breaux and Baucus not to legitimize the process with their presence. As conservative congressional analyst Norm Ornstein said at the time, Democrats with any loyalty to their party would have said, "If you don't let in Tom Daschle—our leader, elected by the Senate to be in the room—then we're not going in the room." But Baucus and Breaux participated, and the bill passed.

The aftermath of the fight was rough. Many in the Democratic Caucus felt betrayed by Baucus, and there was talk of stripping him of his position on the Finance Committee. Daschle mused publicly about the need to impose more party discipline. But others I spoke to sided with Baucus. Their argument went something like this: The resulting legislation may have been deeply flawed, but it was also the largest entitlement expansion since the Great Society. It took government surpluses—most of which were being funneled toward tax cuts—and channeled \$400 billion toward enshrining a permanent drug benefit into Medicare. Restricting government from bargaining down drug prices and boosting payments to the private insurers in Medicare Advantage were grave but correctable failings. (Indeed, Baucus managed to slash payments to Medicare Advantage earlier this year.) By contrast, there's no promise that Democrats could have gotten the basic drug benefit later. Nor is there a promise that the absence of Breaux and Baucus would have killed the bill. And their participation in the negotiations did lead to some genuine concessions, namely the preservation of fairly generous subsidies for low-income seniors.

"Did I like the way that Bill Thomas conducted the conference committee?" asks Baucus. "Of course I didn't. But John Breaux and I went into that lion's den. We were fighting for a better result for widows and low-income Americans. And it's hard to pass up \$400 billion on the table for an entitlement expansion. Certainly, we wouldn't have the same opportunity today with our current deficits. And now we have the 2003 law as a start on which to build." The Medicare prescription-drug benefit is now a broadly popular bill, and though many Democrats speak of its reform, none speak of its repeal.

Meanwhile, the past few years have seen Baucus and the Democratic Caucus reknit their relationship. First, after Daschle was defeated in 2004, the mantle of leadership passed to Harry Reid. Where Daschle and Baucus had a tense relationship, Reid



and Baucus have long been close. Both are reserved Western Democrats with a centrist streak. Baucus calls Reid an “excellent leader” and “one of my best friends.” Reid, for his part, is less hands-on than Daschle was and tends to delegate a fair amount of responsibility to his committee chairman. A prime example came in 2005, when Reid named Baucus the Democratic point man in the fight against Social Security privatization. Baucus turned in an unwavering performance. “It would’ve been easy at the onset to fudge that issue,” says one Democratic senator. “But Max went out and said we weren’t going to unravel the Social Security safety net in any shape or form.”

When I meet with Baucus at the City Grille in Denver, he is eager to emphasize this chapter in his story. “When Reid put me in charge of stopping the privatization of Social Security, man that was fun. That was the right thing to do,” he says. “I remember President Bush came to Great Falls, Montana, and I set up a meeting with seniors at the same time, just across town, just right in his face. I relished the opportunity just to beat down privatization flatly and squarely.” His message is clear: I can fight.

Unbidden, Baucus then launches into a retelling of his fight in July to block the 10.6 percent cut in Medicare physician reimbursement. Here too, the message is clear. “I walked away from Senator Grassley,” he says. “I tend to work with Senator Grassley. But there comes a time when you just gotta say, ‘Sorry.’ These things get watered down too much, it’s just not right, so I just broke with him on that and pushed through a Medicare bill that finally got 60 votes. We had to work hard to get those 60, because Grassley didn’t agree, but that was the right thing to do. So when Ted Kennedy walked on the floor to cast the 60th vote, that’s a moment I’ll always treasure.”

“When Reid put me in charge of stopping the privatization of Social Security, man that was fun. That was the right thing to do.”

Later in the conversation, I mention to Baucus that some health reformers believe that the only way Democrats will ever pass health reform is to wall the process off from minority obstruction—in particular, from the filibuster. The way to do that would be to invoke the budget-reconciliation process, which allows legislation dealing primarily with the health of the federal coffers to be fast-tracked through 20 hours of debate and passed with a simple majority. The Clintons hoped to do this in 1994 but were blocked by Sen. Robert Byrd, the self-appointed guardian of the process. Bill Clinton has said that his gravest error in that battle was not recognizing what a blow he’d been dealt when he was denied access to reconciliation.

But there’s fair evidence that Byrd couldn’t stop reconciliation now. Moreover, Congress in the Bush years normalized the procedure, using it for everything from tax cuts to drilling in the Alaska National Wildlife Refuge. But reconciliation remains an aggressive tool for something as controversial as health-care reform. (It’s also an uncertain one: Republican

opponents could use the rule that bears Byrd’s name to mount a parliamentary challenge.) So I ask Baucus whether he could imagine running health care through the budget-reconciliation process. “Yes, I can,” he says without hesitation. “The goal here is to get results. And not just results for the sake of results but *principled* results. And that means working with the other side where you get principled results and means maybe going to reconciliation to get principled results.”

NEXT YEAR, BAUCUS’ COMMITTEE will have to accommodate a new president hungry for an early accomplishment. And Baucus is hoping to convince him to make it health reform. In June, Baucus assembled his whole committee in the Mumford Room of the James Madison Building for a daylong health-care conference called “Prepare for Launch.” The event began with Baucus standing before a projection screen that showed a space shuttle firing its way into orbit. “I think that video captures the essence of what we’re trying to do today,” said Baucus proudly. “Which is prepare for the launch of health reform.”

In this, he is proving the opposite of the finance chair who last presided over a major attempt at health reform: Daniel Patrick Moynihan, who aggressively opposed Clinton’s health-care plan in 1994. Moynihan went as far as to appear on *Meet the Press* to accuse Clinton of using “fantasy numbers” and declare that “there is no health-care crisis.” By contrast, Baucus has spent the last year holding a series of hearings meant to convince his committee and the country that there is a health-care crisis. He’s staffed up his health-policy team, consulted with outside experts, and held individual meetings with his members. And if Barack Obama wins in November, Baucus, unlike Moynihan, is likely to enjoy a good relationship with

the incoming administration. The Obama campaign’s chief of staff, Jim Messina, was hired out of Baucus’ office. “If you asked what would Baucus be doing this summer,” says one liberal health reformer who’s

long been skeptical of Baucus’ commitment to the issue, “I could not have mapped out a better strategy for him to follow. He’s doing it.”

That assessment is widely shared. But some reformers remain skeptical about Baucus’ commitment to the issue. “The thing you have to understand about Max Baucus,” says one longtime observer, “is that he’s a good guy. His heart really is in the right place. But the worry is that if health reform fails, he’ll still be able to sleep at night.”

I relay the concern to Baucus. “In life,” he replies, “you try to be as effective as you possibly can be. Would I not sleep at night, having tried my hardest? I wouldn’t that first night, but for how many nights after that, I just don’t know.”

Later in our interview, Baucus returns to the question, concerned that he didn’t answer it fully. “Is it okay if we don’t reform health care? It’s not okay at all. But will I sleep at night?” And here, he laughs. “I mean, hell, I’m a pretty good sleeper.”

Then he sobers up. “It’s not okay, though.” **TAP**

Trans in the Red States

A grass-roots movement for transgender rights is flourishing in some of America's most conservative regions. And if successes like these are possible here, they're possible anywhere.

BY JEREMY BEARER-FRIEND AND DANIEL REDMAN

Michelle and her daughter M.J. sit in a coffee shop in a Wyoming strip mall, just over the border from their small town in Colorado. M.J., an eighth-grader, shyly sips her iced mocha and speaks with the “likes” endemic to junior-high hallways. Michelle talks with a calm and slightly tired maternal presence. She and M.J. take turns explaining how they learned to remake the boundaries of their own hometown.

M.J. was born a boy, Michelle explains, but as M.J. grew up, she made it clear to Michelle that she didn't feel like one. “I knew something was going on at age two,” Michelle says. “But I couldn't accept it at the time. So I put a lot of time into changing her or suppressing her.” But M.J. didn't change, and she continued to insist on wearing skirts and dresses and play with “girl typical” toys. In sixth grade, the school counselor called Michelle to tell her that the other kids were teasing M.J. and that it was only getting worse. “They were concerned because she was being open about who she was. The way she acted, the way she dressed,” Michelle explains. That's when she knew that it wasn't a phase, and it wasn't a “problem.” This was who M.J. was.

In Loveland, Colorado—population 61,000, 92 percent white and heavily evangelical Christian—Michelle didn't know what to expect when she began to work with the school to facilitate her daughter's transition from a boy to a girl. At first, it was difficult. The school “freaked out when I told them,” Michelle says. “When we started with M.J.'s transition, I was envisioning riots.” And so Michelle became an advocate for transgender people—those who identify as a gender different from the one assigned at birth. Michelle organized trainings for the faculty and staff and prepared “cheat sheets” in case any of their students asked prying questions.

But on the first day of school, nothing happened. No flood of calls, no angry protests, and no bullying. Michelle was “happy and shocked” that M.J.'s classmates seemed to get it. When one student made a mocking comment to another using M.J.'s former name, one eighth-grade boy dismissed him with a simple insight. “That person doesn't even exist anymore,”

he said. “You're talking about somebody who's imaginary.”

Given the spate of television and media coverage on transgender youth—from dedicated episodes of *Oprah* and *20/20* to a cover story in *Newsweek*—this might not seem remarkable. But just eight years ago, a school just like M.J.'s, a junior high in a relatively small town, had to be forced by judicial order to allow a trans student to come dressed in her chosen gender. And that school wasn't in Mississippi or in rural Kansas. It was in Massachusetts, the state that only four years later legalized marriage for same-sex couples. A state thought of by many as one of the most progressive in the country when it comes to gay, lesbian, bisexual, and transgender rights.

Many would view the politically red heart of the country as a harsh, unwelcoming, and vaguely dangerous place for the transgender community. When we think of states like Nebraska and Wyoming, we don't think of M.J.—we think of people like Brandon Teena and Matthew Shepard, both killed in vicious, nationally publicized hate crimes. But the truth of the matter is far more interesting, inspiring, and instructive. Away from the coasts and the urban havens, a vibrant transgender-rights movement is slowly emerging across the mountain and plains states. Through increased visibility, community building, legislative outreach, and face-to-face public education in churches, schools, and neighborhoods, trans people are building a foundation for equality in some of the nation's most conservative regions.

The most compelling thing about this burgeoning grass-roots movement, however, is not that its outposts are unexpected, but that its activist strategies are so familiar. More than anything, dispatches from the movement for trans equality only confirm the enduring power of marginalized groups to organize themselves and transform their own political landscape.

Without doubt, trans people in the mountain and plains states face harsh realities: employment discrimination, obstacles to health care, violence, and few community resources. But even in the reddest of states, successes like M.J.'s are not unique. Moreover, these stories presage even broader long-term change. For each local success or modest legislative action, the effect is the same—laying the foundation for



greater victories tomorrow. After all, as Mike Thompson, the executive director of Equality Utah explains, “If you can convert people in the reddest of states, then you can convert people anywhere.”

AFTER WORKING FOR A construction equipment company for 25 years in rural Iowa and rising to the position of parts-department manager, Lauren Jansen decided it was time for her to come out as transgender and to publicly transition. Her boss was initially supportive. Then, Jansen says, “One person way up in the company who had the authority used it.” In return for a quarter-century of service, the company fired her just before Christmas with the words, “Deal with your gender issues elsewhere.”

Yet, in the midst of this demeaning process, Jansen found unlikely allies among her co-workers. “The guys that actually did the dirty work—they were my biggest supporters out there,” she explains. Just after completing her transition, she was walking along the street, and, she says, “there were some guys doing concrete work. And one came over and shook my hand and said, ‘You’re very courageous’ and ‘Do what you need to do.’” After moving to Omaha, she found the same kind of support.

Many advocates believe that fundamental change can only come when more trans people are willing—like M.J. and Jansen—to be “out” and tell their stories in their communities. Parallel polls have shown that, in the case of gay rights, as more and more people came to know gay people as friends, co-workers, and family members, support for gay rights grew as well. There is reason to think that similar progress can be made as more trans people feel safe enough to be “visible”—out and open in their communities.

In rural Nebraska, transgender residents of small towns are choosing visibility, too. Ashley, born and raised in a town of 100 people, works on her family corn and soybean farm (she

set up her interview time while driving her tractor). With her mild-mannered Midwestern demeanor, Ashley described how she came out as transgender but decided to stay in her hometown. “I asked my dad about whether I could stay on the farm or not. He said, ‘I suppose you could.’”

So she stayed. And she didn’t budge when she was harassed. “I got hate mail at first, crank phone calls,” she says, from “people who didn’t want me to stay here.” The first time she took her kids to the county fair after her transition, Ashley says, “I could tell [people] were talking about me, but they were also getting to know me.” More exemplary, she says, was the small-town judge that signed off on her name change and warmly wished her well. She speaks with pride of her service on the local volunteer firefighting unit. After one decade volunteering as a man, she’s already worked a second one as a woman.

At the heart of Ashley’s story is a simple truth about what can happen when individuals decide they shouldn’t have to hide their identity from their own neighbors or family and friends. “It’d be so easy to just melt into society,” Ashley says. “And a lot of trans people do, and I’ve thought about it, and I decided I can’t do that. I don’t feel like we’ll ever get anywhere.”

“In some sense,” she continues, “my activism is staying in my town.”

Visibility is a conscious strategy for change. “We just need to be out there and be real with people, not painted on our forehead and carrying signs, but be out, everyday people,” Ashley says. To her, to transition but not openly claim her transgender identity would simply be “another closet.” Instead of legislative advocacy, Ashley says, “I’m more into educating people one by one, and it has been an awesome experience for me.”

SALT LAKE CITY IS well known for the intimidating heights of Temple Square, the heart of the Church of Jesus Christ of Latter-day Saints. But just a few blocks to the east is a lesser-known

community hub: the bustling building complex of the Utah Pride Center. Offering services to the entire LGBT community of Utah, the center has made transgender rights a priority, with a focus on supporting the leadership of the trans community. There is a strong do-it-yourself ethic, Jennifer Nuttall, adult-program director says. "Lots of people have passion, but they have a regular full-time job; they can't dedicate all their time to working for a nonprofit." So the center trains trans community members in everything from how to facilitate a group, to how to build a database, to how to get people to attend meetings.

The hallmark of the movement for transgender rights has always been the ability of trans people to be their own best advocate. From bargaining for basic medical care with nurses at a veteran's hospital to having the cops called on them while picking their own kids up from elementary school, many trans people all too often face a daily battle where each challenge on its own could be debilitating. The center's strategy is built on the awareness of this reality.

The center also seeks to educate potential allies who are in positions of authority—especially those in the medical field or government who encounter trans people in their jobs. "We have an LGBT-affirmative therapist guild, and we're putting together a cultural-competency training [for] them," Nuttall says. With a grant from the Tides Foundation, the center is also

training both foster parents and the staff of the Department of Children and Family Services on youth gender identity and sexuality—making Utah only the second state to do so.

Teinamarrie Nelson, associate director and co-founder of Transgender Education Advocates (TEA), is optimistic about the prospects for equality in Utah. "I think things have steadily come around," she explains; being transgender is "not quite the obstacle that everyone might think it would be here." TEA takes

"We just need to be out there and be real with people," says Ashley, a Nebraska farmer. "My activism is staying in my town."

an approach similar to that of the Pride Center—empowering trans people, while at the same time educating the doctors, foster parents, and government workers who affect their lives.

Sitting in the café section of the Pride Center, a woman named Aere pages through a thick photo album in her lap and explains the history of Engendered Species, one of the oldest transgender-advocacy organizations in the region. "If you [saw] other groups' albums, you'd see pictures of trans people in a room," she says. "But in our album, there aren't many pictures in rooms; we came out of the shadows. We did things in normal public." She flips through the pages, pointing to pictures of interstate bicycle tours, canyon hikes, and Main Street parades. "I still remember

AN UNEASY ALLIANCE

The mainstream gay-rights movement's slow evolution on transgender issues.

BY EMILY DOUGLAS

In April 2007, Rep. Barney Frank of Massachusetts, Rep. Tammy Baldwin of Wisconsin, and others introduced the Employment Non-Discrimination Act (ENDA) that was transgender inclusive, in that it would provide protections for not just gays and lesbians but for people whose gender identity and expression didn't match their sex assigned at birth.

Lesbian, gay, bisexual, and transgender (LGBT) advocacy groups drummed up support for ENDA over the summer; the list of co-sponsors

grew to over 170. But when the bill was introduced for a vote in September, legislators ditched protections for gender identity and expression, citing concerns that the inclusive bill lacked the votes. Over 30,000 LGBT people and their allies contacted their representatives to oppose a non-inclusive ENDA, but in the end, the House passed the bill by a vote of 235 to 184; seven legislators voted against the bill because it did not include gender-identity protections.

The sole LGBT organization that did not oppose the non-

inclusive ENDA when the vote was taken, the Human Rights Campaign (HRC), claims to have been speaking for its constituency, too. The organization conducted a poll on Oct. 26 that found that 70 percent of respondents supported a gay-only bill if a trans-inclusive bill couldn't pass. "For 30 years ENDA has never once passed any house of Congress in any form," says HRC spokesperson Brad Luna, "and only in the last few years does it become fully inclusive. For the first time last year, although it was not the bill that we wanted, a piece of that goal to provide employment protections for the entire community was passed through Congress. We certainly see that as a significant step forward."

The 2007 fight over ENDA was certainly not the first

moment at which the LGBT grass roots had the opportunity to announce, loudly and unmistakably, that protection for transgender people (and for gender identity and expression) was central to its concerns as a movement. Conversations over the place of transgender people in the lesbian and gay community have been going on for as long as the movement has been around. And the debate over whether to include protection against discrimination based on gender identity and expression—often framed as whether to include transgender people in nondiscrimination bills or not—has been going on since the earliest gay-rights bills were drafted in the 1970s. Yet the notion that homosexuality is solely defined by sexual choices is fairly recent; early sexologists'

when it was scary,” Aere says. “Everything you want to do, there is a ghost standing by. And the more you do the activities, the less ghosts there are stopping you from doing it.”

Reaching out to the broader non-trans community, Engendered Species regularly sends speakers to give talks to classes at the University of Utah, and representatives make presentations to local homeless-shelter staffs to increase awareness and sensitivity to trans issues. These activities—which both build intra-community strength and help others understand the lives of trans people—put a face to the issue of trans rights.

FOR PEOPLE TRANSITIONING from one gender to another, the whim of a single state administrator can determine what name they’re allowed to have or even what gender they’re allowed to be. It takes individuals on both sides of the bureaucratic divide to move past those obstacles—both average citizens brave enough to stand up for themselves and officials willing to look past their own prejudices. Nelson points to rising tolerance as a result of the cumulative effect of the work of local groups like TEA and

other leaders. Even in conservative Mormon enclaves like Davis and Weber counties, Nelson reports that judges now routinely allow people to change their name when they transition. “To have a judge be like, ‘OK, I get it,’ is very incredible,” Nelson says.

Two states away, Nebraskan advocates have begun strategizing about how to create more systemic change by engaging the state legislature on these issues. Lauren Jansen is a board member of the Nebraska activist group Coalition For Equal Protection (CFEP), which does informal lobbying in Lincoln for LGBT issues. Their progress, though, is often hindered by a lack of resources. “We need to have a trans person actually go down to the state legislature, the Capitol, and have the ability and time to sit there and just meet with individual legislators,” Jansen explains. “I would love to do that, but I have a daytime job, plus Lincoln is 60 miles away, so it’s really difficult, if not impossible. But that’s what it’s going to take.” Support in the state legislature is at the germinal stage, but “there are a couple state senators that are very strong allies,” Jansen says.

While states like Nebraska and Wyoming lack a paid lobbying force on behalf of the trans community, Equality Utah has a well-coordinated advocacy effort at the state government level, largely due to funding from local donors like B.W. Bastian, one of the co-founders of WordPerfect. Mike Thompson, the executive director of Equality Utah, says that trans rights are at the forefront of his organization’s legislative work. “Gender identity and expression will be there in every bill that we do,” he says.



accounts of homosexuality explained the phenomenon as one of “gender inversion,” and gender nonconformity flourished in early gay communities. Anti-gay legislation of the 1800s actually policed gender expression; for instance, laws required patrons of bars to wear a minimum of three articles of gender-appropriate clothing. But as the gay-rights movement developed into a self-conscious political project, its gender nonconforming members were pressed to the margins.

“The question that calls for explanation is not whether transgender people can jus-

tify their claims to gay rights,” Shannon Minter writes in his groundbreaking essay, *Do Transsexuals Dream of Gay Rights?* “but rather how did a movement launched by bull daggers, drag queens and transsexuals in 1969 end up viewing transgender people as outsiders less than 30 years later?”

MANY OF THE FIRST proponents of city and state laws banning discrimination based on sexual orientation didn’t intend only to protect gay and lesbian people. Matt Coles, then still a law student and now the director of the ACLU’s LGBT Project, was part of the legal team

that drafted San Francisco’s nondiscrimination ordinance in 1977. They left the term “sexual orientation” undefined in the measure, intending to provide protection for everyone from transgender people to “butch women and sissy guys.” But when opponents of the ordinance charged that the language would also shield such “sexual orientations” as pedophilia, the drafting team realized it needed a stricter definition. “And although we really didn’t want to do this, we defined the term,” Coles says. “It was the easiest thing to do.” The legislation now defined sexual orientation solely in terms of sexual-partner choice.

It was also, Coles acknowledges now, probably “the wrong thing to do.” (The smarter approach, he says,

would have been to amend existing civil-rights laws to include sexual orientation and gender expression in the definition of sex discrimination.) This approach spread to other cities and states, and by the time gay-rights leaders thought that Congress and the president were ready to pass and sign federal-employment protections in 1992, “sexual orientation” meant gays and lesbians only.

The first gay civil-rights legislation had hit the national stage in 1974, when representatives Bella Abzug and Ed Koch of New York introduced a federal gay civil-rights bill that would have offered sexual orientation protections based not only in employment, as ENDA would, but also in housing, credit, and public accommodations. *(continued next page)*

Utah might be one of the most conservative states in the nation, but at least among Democrats, Equality Utah is a force to be reckoned with. Their political action committee's donations make them the third-largest contributor to state Democratic legislative candidates. Even among Republicans, Will Carlson, an Equality Utah employee, says, "When you sit down with these individuals, they're not hate-filled. It's just a lack of awareness. It's just a fear." And in Utah's other power center—the leadership of the Church of Jesus Christ of Latter-day Saints—some allies have expressed support, albeit behind closed doors. While Mike Thompson of Equality Utah concedes that "the idea of 'transgender' is contrary to church doctrine" and "officially the LDS church doesn't have any relationship" with Equality Utah, "there are examples of bishops who have an ally mentality." A remarkable feat, given the deep conservatism of the Mormon church.

FOR SOME PEOPLE, however, being trans in the heartland has brought with it an exasperating amount of grief from their fellow citizens. Although the progress is real, so are the obstacles. Alongside the great strides of young people like M.J., organizations like TEA, and rural folks like Ashley, others have more chilling stories.

In the small, comfortable, wood-paneled den of a house just outside Cheyenne, Wyoming, four local trans activists—Shawn and Jasmine, a married couple who transitioned gender at the same time; Lindsay, a trans woman and Marine Corps

veteran; and Lauren, a leader in local organizing for LGBT issues—recount the difficulties they've faced. Each takes a turn explaining what it was like to be transgender in the state that sent Dick Cheney to Congress for 10 years.

"When you're trans in Wyoming, you're wearing a bull's-eye on your back," Jasmine says. "The best protection for Wyoming is having pepper spray, a stun gun, and an expandable tactical baton." She flashes her nails dramatically and laughs. "I didn't grow these for my health."

Lindsay tells the story of how she was twice involuntarily committed to a mental hospital as a danger to herself for no other reason than that she was trans. "The last time was the day before New Year's. It took me 11 hours to convince the medical authorities that I didn't want to hurt myself and that having my operation was not mutilation of my body."

Employment discrimination has touched almost everyone. Jasmine and Shawn both worked at Lowe's, a home-improvement store, until they were both disciplined over a peck on the cheek. One day during a cigarette break, Shawn reports, "I gave Jasmine a quick hug and a kiss. Two hours later I was written up for PDA, and she was fired." Lindsay faced similar discrimination. After years of uniformly positive performance reviews, she was written up six times and fired only a few weeks after she came out.

And while Lindsay points out that Wyoming is a place where not too long ago "a young gentleman in Laramie"—Matthew Shepard—got killed "because he talked to the wrong people in

(continued from page 31)

In 1992, when a Democratic president took office, the comprehensive bill was stripped down to include only employment protections in order to help it pass—but it still failed. By then, the definition of sexual orientation excluding gender identity and expression was "just irresistible," says Coles, because it was reflected in almost all local laws. (Minneapolis stands out as an exception that proves the rule: In 1975, the city passed a nondiscrimination ordinance that included in its definition of sexual orientation "having or projecting a self-image not associated with one's biological maleness or femaleness." A Minnesota state law, passed in 1993, echoes the city's sexual orientation definition.)

Trans-specific advocacy

emerged in the 1990s, when the LGBT policy agenda—whether on nondiscrimination, relationship recognition, or the military—was still very much the gay policy agenda. As both transgender and gender nonconforming lesbian and gay people became more visible, the pressure mounted to incorporate issues facing transgender people, and trans advocates requested a series of meetings with lesbian and gay advocacy groups to encourage those groups to expand their mission. Early converts included the National Gay and Lesbian Task Force, Parents, Families, & Friends of Lesbians & Gays, and Gay & Lesbian Advocates & Defenders. By the mid-1990s, the national groups reached consensus: Everyone, including the Human Rights

Campaign, had made commitments to include transgender and gender nonconforming people in their work.

THE SHIFT HASN'T been confined to the organizational level. Generationally, grassroots gay and lesbian activists are far more likely today than at any point in history to see trans concerns as central to their organizing and activism—and to understand the importance of gender identity. "I don't hear any objection from people 40 and under," says Jennifer Levi, director of Gay & Lesbian Advocates & Defenders' Transgender Law Project. "It's just the way things are moving. It's no longer that easy to separate off trans identities from gay identities."

E.J. Graff, a Boston-based journalist who wrote a series of

articles on trans inclusion for the gay and progressive press in the early 2000s, says she began her intellectual exploration because "what I thought and I what I felt" on the issue "were not lined up. Like every generation of young idealists, many of us [lesbian feminists] felt like we were inventing a brave new world of perfection," she says. "We were reinventing gender. The feeling was these sex roles are evil social constructions! We don't have to do it! We are free!"

But as she learned more about transgender people and trans advocacy, Graff realized that another way to understand gender was unfolding. "I grasped that it's not an intellectual thing, that it's far more visceral and necessary than that. That sense—like who you desire—

a bar,” the situation in other states can also be difficult. “There are very real consequences to coming out or transitioning on the job,” the Pride Center’s Nutall says. “There’s real risks that people have to respond to.”

Despite the growing strength of the community, many are left out due to a lack of resources. “I know that for every one queer youth here, there are 200 not here,” says Rachel McNeil, youth-program director at the Pride Center. For many young people, it’s not safe to be openly trans in their families or neigh-

“If you can convert people in the reddest of states, then you can convert people anywhere,” says Mike Thompson of Equality Utah.

borhoods. “I have youth who will travel two hours each way to come out here,” McNeil says. But without the money, resources for parents and youth are hard to deliver.

Many trans people are also subject to horrifying neglect by their own doctors. Ashley reports that doctors refused to treat her friend in South Dakota, even when she was hemorrhaging. Navigating the medical establishment can be treacherous even when not facing outright discrimination. The national standards of care “don’t mean crap” in Wyoming “because they don’t understand the basics,” Shawn says. “It’s all piecemeal here.” On multiple occasions, doctors have refused to prescribe

Shawn the hormones he needs. Lindsay travels 50 miles to see her doctor, after going through several physicians before finding one who would take her.

Yet the optimism among many trans people in these states is palpable. Momentum is building with each TEA Awareness Days festival, every harvest on Ashley’s farm, and every fellow student whom M.J. educates. The community is coming together and coming out as never before. Following on the heels of these successes will come more elections, more victories, and a stronger voice for trans equality in the heartland.

Michelle, M.J.’s mother, relates a great victory that even she thought was beyond reach. “I remember in sixth grade when she asked me about going to [the] eighth grade formal, with her hair up, and high heels, and the tendrils coming down; I had to keep telling her no. But, look at how far we’ve come. She’s going to her eighth-grade formal as she was meant to go to her eighth-grade formal, and to me that’s amazing.” **TAP**

Jeremy Bearer-Friend is a Ph.D. student in education policy at the University of California, Berkeley, and a former fellow with the Movement Strategy Center, the Greenlining Institute, and Young People For. Daniel Redman is a recent graduate of UC Berkeley Boalt Hall School of Law.

comes preconsciousness. And whether that is shaped by nature, nurture, or culture at that point no longer matters, and you have to honor it. I just don’t want to live in a society that doesn’t respect people’s profound emotional needs—as long as they are not actively harming someone else.” The “uprising,” as Minter calls the resistance to a non-inclusive ENDA, has for many provided incontrovertible evidence of the full embrace of transgender people by the lesbian, gay, and bisexual grass-roots organizations.

Still, some gay talking heads continue to wonder aloud whether trans people deserve a place in the gay-rights movement. *Salon* blogger Jon Aravosis suggested that the “uprising” over ENDA was anything but directed by the grass

roots: “Sure, many of the rest of us accepted de facto that transgendered people were members of the community, but only because our leaders kept telling us it was so. A lot of gays have been scratching their heads for 10 years trying to figure out what they have in common with transsexuals, or at the very least why transgendered people qualify as our siblings rather than our cousins. It’s a fair question, but one we know we dare not ask.”

That premise is mistaken, say many transgender activists. “It’s not that we just were sitting around one day and said, hmm, which movement should we attach to? We share culture, we share friends and enemies,” explains Mara Keisling, a longtime trans activist who for the past five years has led

the National Center for Transgender Equality. As Gunner Scott, a transgender-rights activist in Massachusetts, puts it, “As much as people want to deny it, we’ve been here all along.”

Plans are in place to introduce a trans-inclusive ENDA in the next Congress. This has been one of the most violent years on record for assaults against transgender people; in 2007, LGBT advocates and legislators attached trans-inclusive hate-crimes legislation to the military-spending bill, which was voted on favorably in both the House and the Senate (although amid threats of a veto and concerns over Iraq War funding, legislative support in the House evaporated, and the provision was stripped from the bill).

Advocates are also taking

on both private insurers’ and Medicaid’s refusal to cover sex-reassignment surgery. Levi cites this as a critical hurdle to overcome before other gains can be realized. “A lot of the misunderstandings about trans identities grow out of the misperceptions about the legitimacy of the physical condition related to trans identity for many people,” she explains. “Unless and until people understand the legitimacy of trans identities, there will continue to be pervasive discrimination in employment, family law, health care, public accommodations, and everywhere else.” **TAP**

Emily Douglas is a journalist living in Brooklyn and an editor of RH Reality Check, the online publication covering sexual and reproductive health and rights.

Lessons From the ER

Navigating a family health emergency, one policy expert learns it's not just doctors who make mistakes—systems can make them worse.

BY HAROLD POLLACK

I held my wife Veronica's hand as the technician applied cool gel to her chest. At first, the ultrasound images were the fuzzy black-and-whites I remembered from before our daughters Rebecca and Hannah were born. After a few touches to the LCD screen, a breathtaking three-dimensional movie began to run. It featured Veronica's heart, its thick walls beating yellow against a black background.

The technician maneuvered a trackball to reveal the various parts undulating in unison. Colored regions displayed blood velocity and turbulence through the different chambers. Suspended in virtual space, Veronica's heart looked every millimeter the impregnable pump I had always assumed it was.

Veronica is 46, does four hard workouts every week on the stepping machine, eats sensibly, and has a resting pulse of 60. So when she woke me at 2 A.M. and calmly reported funny chest pains radiating to her shoulder blades and down her arms, the obvious came to mind, but it was hard to really believe. Veronica and Rebecca had been coughing and feverish for a week. The three of us had embarrassing cold sores. Acid reflux, a sore diaphragm—anything seemed more likely than a heart attack.

You need a hard head and a soft heart to manage a loved one's medical emergency. It's surprisingly easy for smart people to be nudged by circumstance and human frailty into doing careless or foolish things. We had two sleeping daughters across the hall. The thought of them waking up to flashing ambulance lights was daunting. We worried about leaving them or dragging them to an emergency room. Still, Veronica had never felt anything like this. We had to do something. So we threw on some clothes, and drove to the 24-hour urgent-care center a half-mile from our house.

SEVERAL PEOPLE MADE mistakes in Veronica's care. The worst and most deadly mistake was ours: going to this urgent-care center. Veronica's symptoms demanded a 911 call. I knew better—or I certainly should have. I am a certified expert, director of the University of Chicago Center for Health Administration Studies. I've served on expert panels of the Institute of Medicine, no less.

I was swayed to discount what was happening—Veronica, a clinical nurse specialist, was, too—by disbelief, by her recent illness, and by her general fitness. We were also swayed by the

expected hassle and expense of an ER visit. We envisioned paying a large bill to be prescribed some Tums. Last year, Veronica went out-of-network for urgent care. That cost \$700.

In part, we hesitated because that was exactly what the modern health-insurance system is designed to make us do. A quarter-century ago, the RAND Health Insurance Experiment (HIE) established the basic argument for deductibles and co-payments in insurance. HIE remains the most important policy experiment in American history. Its most potent finding was that people who got free care used 40 percent more services than did others assigned to cost-sharing plans. Yet the free care produced little measurable additional benefit for the average patient. These results are often cited in support of co-payments and deductibles designed to discourage inappropriate care. Policy-makers and payers are particularly concerned about the real and alleged over-use of emergency care. Charging higher co-payments is one obvious response.

It seems counterintuitive that demand for ER services would be sensitive to price. If you slice off your finger with a steak knife, you won't be thinking about the money. Yet it turns out that many ailments—Veronica's included—are ambiguous, and so price matters. RAND investigators found that individuals in cost-sharing plans reduced ER use by one-third when compared with the free-care group.

Co-payments did discourage wasteful use among HIE participants. ER visits in relatively non-urgent categories such as sprains and back pain were 47 percent less frequent in cost-sharing plans. Unfortunately, co-payments also discouraged appropriate use. Participants enrolled in the cost-sharing plans were 23 percent less likely to seek ER care for "more urgent" problems, including fractures and asthma.

Most patients cannot reliably distinguish appropriate from inappropriate ER use. In many cases, even experts find the distinction fuzzy. I once co-wrote a study of a managed behavioral health plan that imposed a 50 percent co-payment on psychiatric ER visits. Do we really want to impose these barriers? When someone feels that funny chest pain, how long do we want her to dither before seeking help?

Veronica and I made a critical decision in choosing the urgent-care clinic. Your first medical provider in an emergency

determines who will frame the initial hypotheses of your illness, who will coordinate your care, and, often, the person who hears the cleanest direct account of what is wrong. I had never been inside this imposing structure, which advertises and charges as an emergency-department affiliate of a local hospital. We arrived to find it nearly empty. The staff promptly took an electrocardiogram (EKG) that looked normal and administered aspirin and nitroglycerin. Veronica took a gastrointestinal cocktail of antacid and lidocaine in case this was acid reflux. It seemed to help, which I found reassuring. They administered a chest X-ray. After bumpy preliminaries, they administered the standard cardiac-enzyme tests.

Key enzyme levels were very high, indicating that heart cells had died and had released their hidden proteins. Yet the staff remained unsure that the test equipment was working. As the tests were rerun, the staff tried to administer a CT scan, but the intravenous dye infiltrated into Veronica's forearm, causing excruciating pain.

I remained convinced this was all an annoying set of benign, if painful, screw-ups.

I CANNOT SAY WHY I was not more forceful in getting Veronica out of there. Throughout, she seemed fine, talking normally, except that her chest, and then her arm, really hurt. My alarm steadily increased as the realization sank in that something could be genuinely amiss. An amazing four hours after arriving, we received the repeated enzyme tests. That's when the ambulance was called to transport Veronica to a real hospital. I gingerly asked the doctor about taking her to the big university hospital one hour away. He replied, quite reasonably, that there was no time. I raced home and drove the kids to a friend's house.

At the hospital, an emergency-room doctor stated without preliminaries: "Bottom line—you've had a heart attack." The enzyme tests were definitive. Fortunately there was no other detectable damage. He explained that this was the kind of heart attack, more common than one would suppose, that can leave no obvious damage. A tiny piece of plaque becomes dislodged, initiating clotting. Such an attack can be essentially self-healing once it runs its course. I gave the gruff but comfortably authoritative cardiologist the business card of Veronica's internist and asked him to call.

Veronica needed cardiac catheterization. This is a delicate procedure. Cardiologists and their surgical teams differ substantially in skill and in post-operative mortality. For 25 years, health-services researchers have documented that it's good to have an operation in the right hospital by the right people. Many jurisdictions have begun to publish hospital-specific and surgeon-specific rankings of observed and expected mortality rates for these procedures.

As you might imagine, ranking is a complicated subject.

Hospitals complain they are penalized because they serve high-risk, complex patients. Hospitals may also game things. There is suggestive evidence that cardiac report cards encourage physicians to provide less-aggressive treatment to minority patients and others who tend to have worse outcomes. Risk-adjustment methods developed to address these concerns have spurred needed changes. A striking number of surgeons in the highest mortality categories retired or moved away when New York implemented report-card systems. A 2006 *Health Affairs* paper by Ashish Jha and Arnold Epstein reports: "With the release of each report card, approximately one in five bottom-quartile surgeons relocated or ceased practicing within two years." New York's post-operative mortality rates sharply declined after ratings were published. Rankings were not the only reasons for improvement, but they helped.

Not surprisingly, high-volume facilities perform better. Surgeons get better with practice. Care teams get better

at minimizing post-operative infections. Some hospitals become popular because they are good; others become good because they are popular. Which came first? If you're a patient, you don't care. There are ongoing debates over whether cardiac catheterization and other delicate services should be provided by a small number of high-volume regional centers. Probably they should, though this is hard to pull off in our decentralized and competitive system. The data also reveal surprising disparities, sometimes between adjoining hospitals or those we might otherwise consider peers.

New York state publishes risk-adjusted 30-day mortality rankings. Based on 2003–2005 data (released last February), where would you want your ambulance to go in the New York area? You might not guess that Bellevue Hospital and the Long Island Jewish Hospital performed markedly better than many more famous hospitals. You might not suspect that Montefiore-Einstein Heart Center ranked poorly in both mortality and post-operative complication.

I have presented this information to hundreds of students at Yale, the University of Michigan, and the University of Chicago. I could cite a wealth of data on many topics. Yet when Veronica got sick, my personal databank included nothing on the hospitals near my own home. You don't comparison shop alongside a loved one's hospital gurney.

As the bedside conversation proceeded, I wondered whether to sell our house. I wasn't thinking about the sub-prime mess. I just wanted to live near a great cardiac facility. A classic analysis by Mark McLellan, Barbara McNeil, and Joseph Newhouse showed that people who happen to live near these hospitals were more likely to survive cardiac emergencies. I wish I had taken that paper to heart.

The community hospital that treated Veronica is, by reputation, probably the best within 10 miles of us. The attending car-



diologist is well respected and projected an infectious certainty about what was wrong, how to fix it, and who was in charge. I found his decisiveness reassuring. Still, I would rather have had this performed at a major academic medical center or at least done by someone I had vetted. I again rather awkwardly asked the emergency-room docs whether Veronica should be moved. I called a friend who is a good internist who said they seemed to be doing sensible things, and there was no time to screw around moving her. Given the situation, there was nothing else to do.

The team whisked Veronica upstairs for the angiogram. They threaded a catheter into her groin area and ran it up near the heart to examine arteries that might have been blocked. I sat pensively in the waiting area. The cardiologist shortly emerged to report that the angiogram had gone well. There was no observable tissue damage. There were no blockages. Her arteries were squeaky clean.

Days later, I looked up the local rankings. Our hospital wasn't ranked badly. Its cardiac catheterization is 40 percent cheaper than the fancy university hospital I preferred. The bad news: Its post-operative mortality rate was 40 percent higher than that of another community hospital I never held in much regard three miles from our home.

THE VARIOUS WAITING rooms were especially sobering. Dozens of tight-lipped people filled them, worried, first and foremost, about their loved ones. The hospital is located in a gritty South Chicago suburb. Many of the people sitting with me were surely wondering, how will I pay for this?

I wasn't worrying about money. I remember thinking: *Thank God we have good insurance. At least I think we do.* Six months later, I still don't know how much this episode will ultimately cost. I *am* confident we will not go medically bankrupt, as many patients do with limited or no insurance. Jonathan Cohn's book *Sick* describes Chicagoans' struggles with medical debt, including a poor, semi-retired nun sued by a Catholic health system. Sitting in that waiting room, I was also struck by the responsibility each of us has to care for our mind and body. We are vulnerable to genetics and bad luck. Still, the intensive care unit brutally displays the consequences of poor health behaviors. Surprising numbers of young people are there, suffering and sometimes dying when this doesn't have to be.

It was hard not to notice something else. That waiting room, like so many others I have frequented in my 15 years in public health, was filled with people of color. Public perceptions of racial and ethnic disparities are shaped by headlines about homicide, substance abuse, infant mortality, AIDS. Mundane cardiovascular diseases exact a far heavier toll in minority communities, within which child and adult obesity have markedly worsened. I fear that waiting rooms may need more chairs.

Within a few hours after the angiogram, Veronica was in intensive care, and we began to digest the bizarre news. Once the anesthesia wore off, she felt real chest pain but was otherwise amazingly normal. Wired up to the monitors, she was soon sitting up doing her cross-stitch, joking with my sister, asking about the kids. An infectious-disease specialist came through and treated her cold sores. Things became boring.

Veronica stayed in that ICU for three days. A pneumatic messaging tube thwoned loudly and randomly throughout the night. Various machines would beep if Veronica moved her arm and impinged on some tubing. On top of that, Veronica was in pain, which the cardiologist explained later was a normal reaction to blood returning to the damaged heart areas. The effect is grueling. Sleep disruption is a prominent cause of what is charmingly labeled "ICU psychosis." Despite that, the staff provided much wonderful care. A community-hospital ICU resembles what hospital care often used to be: kind nurses in an unhurried environment where they could pay close attention to patients.

Veronica spent her last 24 hours in that hospital on a regular floor. Fewer nurses were responsible for more sick patients. Veronica was in pretty good shape by then. She saw her nurse one or two times, not much more. The cardiologist and the local attending shook our hands, assured Veronica she would be fine, and sent us packing.

I was nervous but happy to bring Veronica home. Forty-eight hours earlier, she had been wired up in a cardiac ICU; now no medical provider seemed all that interested in seeing her. We made an appointment to see the cardiologist nearly one month later. We called Veronica's young university internist. I would have thought the words: "I had a heart attack" would provide some scheduling advantage—apparently not. The medical center is de-emphasizing primary care. It's hard to make money on these services in a tertiary-care setting. During the 10 days before we saw the internist, Veronica dutifully took her medications and set about recovering from her illness and from the grueling days in the hospital. Recovery was slow. She had trouble climbing stairs, got winded a lot, and needed a lot of sleep.

Internists have taken some hits in recent years. A *New York Times* story in March noted that dermatologists earn twice as much and work 10 fewer hours per week. The *Times* quotes an aspiring dermatologist as saying that internal medicine is "viewed as easy because anyone can get into it." Since preventive medical care cases can be "humdrum," he said there is a "lack of respect for what they do."

ALTHOUGH THAT STUDENT doesn't know it, internists are the linchpin of our medical system. As described in Jerome Groopman's beautiful book *How Doctors Think*, physicians make sense of a disorganized jumble of data, recognize latent signs of trouble, chase down patterns when things don't look right, and help patients form a coordinated care plan. Veronica's internist started the 30-minute appointment with a jaw-dropper: "I want to hear what happened straight from you. I should say at the outset that I don't think you've had a heart attack."

Before the appointment, he had mastered Veronica's hospital record. That already put him miles ahead of most other doctors. It just didn't look right that a healthy gym rat would have a sudden heart attack with no warning and no detectable damage. He had a hunch, which he checked out with five or six senior colleagues. They agreed that a viral infection of the heart, viral myocarditis, was more likely.

He took an EKG, which revealed Veronica's resting pulse of 47. She had previously been so fit that her normal heart rate was

already quite low. The beta-blocker Veronica had been prescribed was too potent, and nobody was monitoring it—making her one of many people who become sick from their medication. Mercifully, the internist tapered the beta-blocker. He also arranged for an echocardiogram in order to make a more definitive diagnosis. That echocardiogram is where this article began.

Two days after the echo, we sat in an examining room with a university cardiologist, a wonderfully effervescent, small man with a flowing gray beard and an Irish brogue. My heart initially sank when he said, “I have not read your chart. I want to hear from you.” He proceeded to ask Veronica in detail about everything that had happened. Veronica tried to be efficient and precise to fit the confines of our visit. “Slow down,” he said. “We have plenty of time. Did the cardiologist say your arteries look ‘clean,’ or ‘squeaky clean?’”

After 15 or 30 minutes of questions, he said, “OK. I am going to stop the conversation now, and I am going to read your

I would have thought the words “I had a heart attack” would provide some scheduling advantage—apparently not.

records.” He methodically reviewed what had been written. “Your internist has written a Bible about you,” he happily noted. He went through all the lab values and commented almost flirtatiously: “You have the kidneys of a young girl.”

After more back-and-forth, he noted the competing hypotheses. He then looked over the echocardiogram results and said, “This is a classic presentation of viral myocarditis.” He noted that a damaging heart attack would have shown a dead or damaged region, too weakened to support the heart’s syncope beat. I cannot imagine what cardiac patients experience when they watch live movies of their own hearts in visibly damaged condition.

My own heart skipped when he said to Veronica: “Your echo clearly shows a heart pumping poorly from the myocarditis.” It wasn’t just the beta-blockers that were making her winded. Her right atrium was enlarged.

As this article goes to print, Veronica is doing well but is facing a nine-month recovery. We have one loose end. Veronica’s university-hospital record says that she is on aspirin and a blood thinner and that she is recovering from viral myocarditis. Yet if she falls ill tonight, an ambulance will deliver her to that community hospital, whose records indicate that she is a recovering heart-attack patient taking a potent dose of beta-blockers. Nothing in our health-care system reliably reconciles these different versions of reality. Everyone involved seems skittish to close this loop. What will we tell her original cardiologist? Will he worry that we will sue? Will he argue with us or with the other guy?

PEOPLE DRAW THEIR OWN lessons from intense experiences. Perhaps most frightening is the ease with which smart people make bad mistakes and never look back. Cognitive psycholo-

gists have documented the impact of imperfect heuristics and biases on medical decisions. It is hard to overstate the power of getting stuck in a groove, particularly when psychological crosswinds or workplace pressures distort our thinking. A wealth of data confirms this observation when we are driving a car, buying a home, or diagnosing a seriously ill patient. Such findings provide a human frame through which to view many mistakes in Veronica’s care, including mine.

Our community hospital did a great job that first day. The cardiologist performed an expert angiogram. We are grateful, even knowing that they overlooked the myocarditis when Veronica’s presentation cried out for this diagnosis. She had recently experienced a bad viral infection. She had no sign of artery or heart tissue damage consistent with a heart attack. Every doctor I know has said: Yup, of course, viral infection.

Medical errors seem more egregious in hindsight than they actually are. Groopman’s *How Doctors Think* recounts many serious mistakes but also several heroic diagnoses made when doctors spot things others have missed. But many of these cases just don’t seem that hard: the chronic anorexia that turns out to be celiac disease, the ER patient with chest pain who turns out to have unstable angina, the overlooked infected abscess. These examples are frightening because they reveal how skilled professionals go astray.

I can’t say why Veronica’s doctors missed her heart infection, but I have some clues. For one thing, Veronica’s doctors never performed an echocardiogram. Such missed opportunities are common. Tejal Gandhi of Brigham and Women’s Hospital and colleagues recently examined closed malpractice cases involving missed or delayed diagnoses. More than half included some failure to order an appropriate diagnostic test. This pattern may be hard to generalize. Only a tiny proportion of medical mistakes and injuries result in malpractice claims. Moreover, a missed diagnostic test is an especially provable form of malpractice.

Emergency physicians face disconcerting challenges that make them especially vulnerable to cognitive error. They must act decisively based on what is currently suspected or known. Doctors and patients both want certainty in an anxious situation. No one is reassured when the doctor says, “I’m not sure what’s wrong.” Yet those same doctors must remember that their provisional hypotheses might be wrong.

That openness is hard to sustain over the hours and days in which everyone’s thinking becomes anchored in a specific diagnosis. The possibility of heart attack was on everyone’s mind based on Veronica’s dramatic cardiac-enzyme numbers. Had we gone to the hospital first rather than to the urgent-care center, the staff might have conducted a more reflective conversation with Veronica about the specific history of her illness. Given her urgent-care admission, Veronica needed an immediate angiogram before that conversation could really be had. In those first few hours, heart attack was the most reasonable working hypothesis. This deadly possibility needed immediate attention. Yet as economists and psychologists could readily

Bush v. Gore

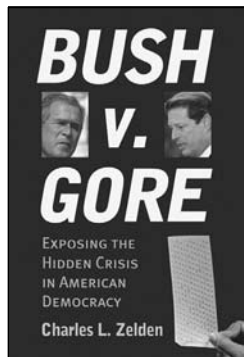
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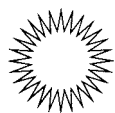
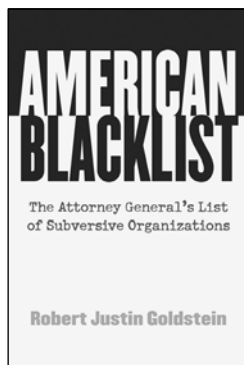
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predict, confirmation bias distorted subsequent judgments.

Later, things became murkier. Veronica's arteries and heart tissue looked fine. Her only symptoms were the bad enzyme results and continued chest and arm pain. These were consistent with a heart attack but also with other things. Healthy, 46-year-old women rarely have heart attacks that refuse to leave a trace. That pattern would later pique the curiosity of Veronica's internist. In the moment, hospital staff seemed stuck in a groove created by their own initial treatment plan. Their real mistake was to be incurious once the immediate crisis had passed.

Here's where the need for systemic thinking becomes apparent. When a tired doctor writes an extra zero on his prescription pad or makes a bad initial call, the result can be catastrophic, but it doesn't have to be. Hospitals can be organized to acknowledge the reality that doctors make mistakes and have messy handwriting, and that busy nurses make mistakes, too. As Jerome Groopman knows as a doctor, these mistakes are part of the landscape of medical care.

But Groopman's perspective shows its limitations. He focuses on how clinicians can avoid predictable errors and cognitive distortions. Yet as pediatric cardiologist Darshak Sanghavi notes, diagnostic errors reflect faulty *systems* as much as they reflect faulty thinking by any one specific person. When we consider how a decent community hospital can improve care, it may be most useful to ask not how doctors think but how *systems* think.

Writing in *The New Yorker*, another physician/journalist, Atul Gawande, has noted the value of simple checklists in matters such as controlling hospital infection. Standardization helps individual clinicians to avoid errors. It also forces hospitals and health-care systems to scrutinize their procedures and habits when elements of that checklist are frequently left undone. It's not glamorous, but this is how large organizations improve their performance. One can also create practices and protocols that reduce the likelihood and the probable consequences of common diagnostic errors. Suppose a hospital established a simple rule: Every cardiac patient who reports a recent infection should receive an echocardiogram. Such a rule or a more refined alternative would probably have saved us much time and trouble.

Some things can't be easily replicated. Our internist brought a fresh perspective, distanced from the initial emergency. Equally important, he operated in a hallway culture that encourages questioning and provides backup when things don't add up. He could ask several smart colleagues about what might have been missed. That's a key advantage of academic medicine.

Given my health-policy credentials, I'm embarrassed that I navigated this emergency relatively badly and generally felt no less bewildered than anyone else. I guess the final lessons are more personal. We must forgive ourselves, and others, for our near-misses. Then we must learn from these experiences. **TAP**

Harold Pollack is an associate professor of social service administration and faculty chair of the Center for Health Administration Studies at the University of Chicago.

Culture & Books

"We Americans are social animals who nonetheless teach ourselves to be selfish in the public sphere."

— PAGE 50



A Life Misunderestimated: Josh Brolin as George W. Bush in Oliver Stone's *W*.

MOVIES

YOU DON'T KNOW BUSH

Recent fictionalizations of our 43rd president show that we're done with the screeds and parodies. After eight long years, we just want to know what makes him tick.

BY PHOEBE CONNELLY

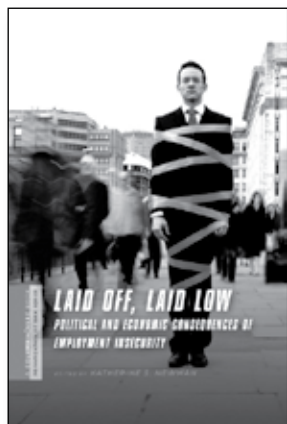
“WHO DO YOU THINK YOU ARE? A Kennedy? You're a Bush. Act like one.” Such is the dressing-down a young George W. Bush receives from his father in a trailer for Oliver Stone's new film *W*, which opened Oct. 17. By all accounts, the film was hurried through post-production in order to open three weeks before the election. There are no firm answers as to why—are the producers trying to cash in on the dregs of the Bush presidency? Or is Stone trying to get in a final word before Bush

leaves office? Stone, of course, claims the high road. He told *Variety* in January that he couldn't give his personal opinion of the president because “the filmmaker has to hide in the work. Here, I'm the referee, and I want a fair, true portrait of the man.”

Stone's film is part of a late rush by authors, filmmakers, and other artists to reckon with George W. Bush before he exits office. It's a new chapter in our representations of the president who has tormented America for eight long years—we've moved beyond the one-

dimensional screeds and the off-handed jokes in favor of certain elegiac fictionalization. It's not that we're no longer mocking Dubya or suddenly ignoring his terrible faults but rather that we're more interested in companionable insight. Is it possible that now, in the waning days of the Bush presidency, we just want to sit down with the man, have a few beers, and see what makes him tick?

After Bush took office, our first cultural coping mechanism was parody. It went beyond the obligatory *Saturday Night Live* sketch exploiting the man's verbal tics. How could this frat boy possibly function as the president? Of course, the United States had yet to invade any countries under his watch, or experience the significant loss of civil liberties. We were stuck with Bush's inept bumbling for the next four years, so we might as well laugh at it, right? *That's My Bush*, Comedy Central's short-lived sitcom from the creators of *South Park*, aired for three



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Edited by Andrew Lakoff

FEBRUARY 2009

months in 2001. The show offered the White House as a setting of a mid-1980s situational comedy, complete with a jazzy musical intro, an attractive young secretary, and a clueless neighbor who drops in to offer unsolicited advice.

But the September 11 attacks and the Iraq War cut into our high jinks, forcing us to examine the Bush administration's "war on terror" mentality. In 2004, Nicholson Baker (you may know him as the author of the phone-sex novel *Vox*, which Monica Lewinsky reportedly gifted to Bill Clinton) published *Checkpoint*, a fictional transcript of a conversation between

miered at the 2006 Toronto International Film Festival. The film will be re-released in U.S. theaters in January 2009—just as America is swearing in a new president.

Bush fictionalizations of more recent years have taken a turn back to the humorous. The end of the Bush era is in sight, and maybe, just maybe, we're ready to laugh at him again. Comedy Central's second attempt at a series was the animated *Lil' Bush*, which debuted in 2007 and ran for two seasons. (It has yet to be renewed.) *Lil' Bush* presents D.C. as Beltway Elementary School, with administration figures and world leaders battling

*See? the film seems to say, Bush is just like us—
struggling with parental expectations and wondering,
do I have to make dad proud?*

two longtime friends, Jay and Ben, in a Washington, D.C., hotel room as they discuss Jay's plan to assassinate Bush. The book balances unreality (Jay plans to use a magic hammer and victim-seeking bullets) with a dark humor ("BEN: Jay, assassinating the president isn't a hobby. JAY: I'm sure not getting paid for it. It's pro bono all the way"). Still, Baker engages Americans' struggle to come to terms with the man they elected. As Jay explains to Ben, "Yeah, but sometimes you reach a point where you realize that millions of tiny individual decisions are condensed into one man. That's what I'm up against."

Some dramatizations were darker yet, concerned with the emerging laundry list of Bush administration abuses of power rather than the man himself. Also in 2004, playwright David Hare debuted *Stuff Happens* at London's National Theatre. The play, whose title is taken from Donald Rumsfeld's flippant reaction to the looting of Baghdad, portrays the run-up to the Iraq War with a blend of actual administration quotes and fictitious back-room dialogue. Hare's play, which in some stagings ran to three hours, has the tone of a work of investigative journalism. Two years later, British filmmaker Gabriel Range's *Death of a President*, a mock-documentary about Bush's assassination at the hands of an Iraq War veteran, pre-

it out on the playground. Meg Greenfield, the Pulitzer Prize-winning *Washington Post* editor who vividly compared D.C. to high school, overrun with "the good-child politician," would be proud.

But, unlike the Bush parodies of 2001, more recent creative efforts have gone beyond snark and started reaching for an understanding of Bush as a man. In this year's *Harold and Kumar Escape from Guantánamo Bay*, the two lovable stoners parachute into Bush's Crawford, Texas, compound after fleeing Guantánamo and end up in the guesthouse smoking weed with Dubya.

"If you like weed so much, why don't you just legalize it?" Harold asks.

"Are you fucking kidding me?" Bush replies. "Do you know how pissed off my dad would get if I did that?"

"Holy shit dude," Kumar says. "My dad's all up in my shit too about this whole med school thing."

This confession—that Kumar is not sure if he wants to attend medical school for his own happiness or to appease his father's desire for a legacy prompts Bush to pick up the phone, call his own father, and denounce him. See? the film seems to say, Bush is just like us!—struggling with parental expectations and wondering, do I have to make dad proud?

Author Curtis Sittenfeld takes attempt-

ing to understand Bush to an extreme with her third novel, *American Wife*, published in early September. Sittenfeld, a liberal, found herself fascinated with the woman married to the president whose politics she found so odious. In a 2004 essay for *Salon* titled “Why I Love Laura Bush,” Sittenfeld writes, “To an uncanny degree, Laura Bush’s own life resembles a great novel. Big, dramatic things have happened to her, certain themes have recurred, and she is such an easy heroine to root for—smart and nice but just flawed enough (she still sneaks cigarettes!) to remain likable.” Sittenfeld has run with that notion, giving us a lightly fictionalized view of Laura Bush and the man she loves, no matter how low his approval ratings sink. Sittenfeld’s Laura, Alice Lindgren, is a 31-year-old librarian who marries into the high-powered, conservative, political Blackwell family. As her sister-in-law says, “That’s the problem with being married to them. We’re forced to see how the sausage gets made.”

Sittenfeld’s repackaging of Bush largely accepts the folksy persona that liberals so rightly feared would win over the American people. She presents the fictionalized Bush as a man whose charm is rooted in the juxtaposition of his confidence with his basic ineptitude: “He was so appealing to me, and so confident of his own appeal in a way that was boyishly endearing rather than arrogant.” We’ve all dated these men, Sittenfeld seems to be saying—privileged men who are careless with both their affection and their cruelty—but most of us had the good sense to leave them or were blessed enough to have them leave us. Bush is the man we love even though we know better. The book has been a hit, climbing to No. 3 on *The New York Times*’ best-seller list in its second week in stores.

American Wife is a hard act for *W.* to follow. Will Oliver Stone, whose political films have run the gamut from the wildly successful *JFK* to the wincingly bad *World Trade Center*, offer a similarly grabbing portrait? *Texas Monthly* convened a panel of politicians and film-industry types to discuss *W.* for its October issue, and the discussion kept returning to how Stone will

make his film stand out from previous depictions of Bush. “He’ll say ‘nukular’ 10 times. We’re bored with that,” commented screenwriter Anne Rapp. She later noted that the trailer “looks like a Judd Apatow movie.” Apatow, director of *Knocked Up* and *Superbad*, is known for his funny, sometimes bawdy, portraits of bumbling young men attempting to grow up. And while the film was still being edited up to the release date (the film’s publicist chuckled at my request for an advance screener), Stone’s tone, at least in the marketing of the film, is snide—one promotional tagline is “A Life Misunderestimated.”

A second trailer for the film released in late September says, “Love him. Hate him. You don’t know him,” as the Talking Heads’ “Once in a Lifetime” plays in the background. But with Bush’s approval ratings at an all-time low, what makes Stone think America really wants to get to know him? Perhaps Sittenfeld and Stone have the space to fictionalize him precisely *because* Bush has become irrel-

evant to an extreme degree. Even the Republican Party has distanced itself from him, and the country has collectively moved the question of “what next” to the front of our national conversation. If we don’t consider the man’s merits now and sort out how that appeal helped keep him in power for eight years, we may not get the chance again.

At the end of Sittenfeld’s novel, Alice/Laura meets with the father of a soldier killed in the Iraq War who has been camping on a lawn in Southeast Washington, D.C. She plays the quiet listener until suddenly, breaking, she tells him, “I think you’re right. It’s time for us to end the war and bring home the troops.” Then she recalls her promise to Charlie/George from early in their relationship: “I can assure you I’ll never tell anyone if I disagree with you. ... That’s no one’s business but ours.” It’s a moment of redemption, showing us that if we can, collectively, find our voice separate from Bush, we can then peacefully accept our acquiescence to his charms. **TAP**

BOOKS

CAPITAL RULES

CAPITAL RULES: THE CONSTRUCTION OF GLOBAL FINANCE BY RAWI ABDELAL, Harvard University Press, 304 pages, \$52.50

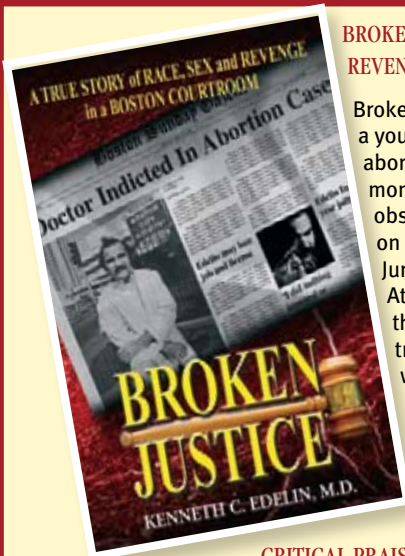
THE BRIDGE AT THE EDGE OF THE WORLD: CAPITALISM, THE ENVIRONMENT, AND CROSSING FROM CRISIS TO SUSTAINABILITY BY JAMES GUSTAVE SPETH, Yale University Press, 295 pages, \$28.00

BY ROBERT KUTTNER

IN THE QUARTER-CENTURY AFTER World War II, a unique social compromise thrived in the West. National governments assured rising incomes and social benefits for ordinary citizens; entrepreneurs enjoyed steady growth and reasonable profits—but the prerogatives of financial capital were subordinated to the health of the real economy of goods, services, and wages. At the heart of this social settlement was an unprecedented set of controls on speculative movements of international money. The designers of these controls—the fathers of the Bretton Woods Accord of 1944—understood

that if speculative capital ruled globally, it would wreck the capacity of national governments to maintain balanced forms of capitalism domestically. Recent events have surely proved them right.

The most prescient of these architects was John Maynard Keynes. For most readers, Keynes’ prime insight concerned the role of aggregate demand in the economy and the need for government deficit spending during slumps. But Keynes’ even greater contribution and practical achievement was the construction of a global system of constraints on private finance; otherwise, private capital would



BROKEN JUSTICE. A TRUE STORY of RACE, SEX and REVENGE in a BOSTON COURTROOM. Kenneth C. Edelin, M.D.

Broken Justice is the story of Dr. Kenneth C. Edelin, a young black doctor who was an early victim of the abortion wars of the 1970s. Dr. Edelin was three months away from completing his residency in obstetrics and gynecology when he was indicted on a charge of manslaughter by a secret Grand Jury. This jury had been convened by the District Attorney of Suffolk County, Massachusetts, and the alleged victim was an aborted fetus. The trial was conducted before a 16-person all-white, mostly male and Catholic jury. This is the extraordinary story of the first battle to restrict a woman's right to choose after the historic *Roe v. Wade* decision legalized abortion.

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Rudolph Kass, *New England Journal of Medicine*

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flee from nations that pursued egalitarian or Keynesian policies.

The system of capital controls invented at Bretton Woods turned economic orthodoxy on its head. From about 1870 to 1914, totally free global movement of capital was both standard practice and conventional wisdom. The only regulatory mechanism was a largely private one—the gold standard, which determined currency values and maintained confidence in them. But efforts to re-establish the gold standard after World War I turned into an economic straitjacket. Coming out of the Great Depression and World War II, Keynes and company realized that for a managed form of capitalism to work nationally, the regime governing finance had to operate globally.

Today, those controls on capital, and the stable, mixed economic system that they anchored, are a distant memory. What happened? This is the question that Rawi Abdelal addresses in his brilliant and authoritative book, *Capital Rules*. As Abdelal writes, "How and why did the world shift from an orthodoxy of free capital movements in 1914 to an orthodoxy of capital controls in 1944 and then back again by 1994?"

In the course of pursuing answers, Abdelal, a young professor at the Harvard Business School, spoke with nearly a hundred of the most-important players at senior levels of national governments, banks, and international agencies. His appendix of interviews reads like Alan Greenspan's rolodex. He also spent years in the archives of international and domestic agencies, and what he found is full of rich, often surprising insights.

The standard account is that "neoliberals" in the Anglo-Saxon countries, notably under Ronald Reagan, Margaret Thatcher, and their Chicago School allies, deliberately destroyed the more managed market system. This is either a triumph or a disaster depending on your view, but Abdelal's account is far less conspiratorial and more nuanced. By the time he finishes puzzling out the issue, Abdelal, who began as an agnostic, persuades himself and the reader that letting speculative global capital loose for the second time in a century was indeed a catastrophic and

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needless misstep. His story, however, is replete with paradoxes.

As Abdelal recounts the tale, the Bretton Woods system of capital controls started leaking as early as the late 1950s. In that era, because of the huge American trade surpluses—those were the days!—stateless dollars began piling up offshore, mainly in London. But the Americans and British adopted a policy of benign neglect. So, financial institutions could lend these “Eurodollars,” exempt from the general system of capital controls.

In a variation on Gresham’s Law (the weak currency crowds out the strong one), an unregulated parallel system undermined the official regulated one. This leakage, of course, required the acquiescence of governments. But two decades after Bretton Woods, in the era of Dwight Eisenhower and Harold Macmillan, governments were in a far less interventionist mood. Instead of updating the Bretton Woods system to constrain the latest innovations of private markets, governments mostly let financial markets alone. Cheered on by conservative economists, the United States then abandoned fixed exchange rates in 1971–1973 and let the dollar float, pulling out another of the key props to the Bretton Woods system. With the accession of Thatcher (1979–1990) and Reagan (1981–1989), the freest possible movement of money and goods globally and domestically became the new orthodoxy.

Where Abdelal deliciously complicates the story is in his account of the role of French socialists, of all people, in pounding the final nail into the Bretton Woods coffin. After the sluggish 1970s, the government of François Mitterrand, which took office in 1981, was determined to create social democracy in one country—higher wages, faster growth, more social outlay. But by 1981, the ability of private capital to flee egalitarian societies—the problem that had so concerned Keynes—was already largely restored. After capital flight wrecked the first Mitterrand program, his architects shifted course and decided to fight fire with fire.

Mitterrand’s key lieutenants, most notably Jacques Delors, later the father of the modern European Union, and Delors’ chef de cabinet, Pascal Lamy, who now

heads the World Trade Organization, concluded that if they couldn’t have managed capitalism in one country, they could perhaps have it on one continent. Their bargain with the far more libertarian Germans led not only to a grander European Union, with a true single market and later its own currency and central bank, but also included the most un-socialist of ideas about global capital movements: Mitterrand’s men sweetened the deal with a requirement that all member nations of the EU would have to abandon all capital

gradually delegated increased power to private bond-rating agencies such as Moody’s and Standard and Poor’s. Through their power to rate government bonds, these private entities came to define which domestic economic policies were “sound.” The sovereign bonds of nations that had no controls on capital got better ratings than the bonds of countries that attempted to manage their economies in the manner of the original Bretton Woods. This was, of course, an ideological preference, not

Private capital has overwhelmed regulatory constraints. One incremental liberalization logically led to another over a 40-year period.

controls, not just with other EU members but with all nations. They also pressed (unsuccessfully) to make totally free capital movement a universal requirement, through the Organization for Economic Co-operation and Development. In return, they hoped, international agencies would gain new global regulatory power over finance. They grandly termed this approach “managed globalization”—*mondialization maîtrisée*. At the very least, they hoped, there would be more regulation of capital within Europe.

Alas, it didn’t work out that way. The Anglo-Saxons had no interest in globalization managed by international bureaucrats, least of all French ones. As the sub-prime mess shows, private capital has overwhelmed regulatory constraints of all kinds, both domestically and globally. As Abdelal tells the story, one incremental liberalization logically led to another over a 40-year period. And though it is fashionable to assert that technological changes—the Internet, electronic transactions—made deregulation inevitable, Abdelal reminds us that similar global money movements were common, via telegraph, before World War I, but regulators nonetheless put the genie back in the bottle.

To choose just one example from his catalog of needless and heedless liberalization: The IMF, World Bank, U.S. Treasury, and private money markets

a technical determination, but it constrained national policies. And these were the same bond-rating agencies that so disastrously misjudged sub-prime.

As Abdelal shows, the consensus on the genius of free capital movements has been largely proved wrong by events. Abdelal first came to prominence for his study of Malaysia, the one nation in the Asian financial crisis of the late 1990s that refused to abandon capital controls. He persuasively and bravely (he was untenured at the time) showed that this policy was far superior to the available alternatives. When he presented his findings as his maiden case report at the Harvard Business School, he was ridiculed by then Harvard president Larry Summers—who later publicly apologized.

In Abdelal’s account, the United States was largely a bystander to this unfolding process, mainly stepping in to veto efforts to combine liberalization with new forms of regulation. His study is prodigious and path-breaking, but I think this aspect of his interpretation is a bit misleading. He understates the prime role of the Anglo-Saxons in allowing the system of capital controls to collapse in the first place, and the libertarian shift only became more explicit with Thatcher and Reagan. By the 1980s, when the French got around to trying to restore the earlier rules, the damage had already been done. The French socialists were simply play-



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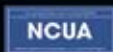
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ing a very weak hand as best they could.

Though Abdelal is American (his father emigrated from Egypt), his narrative is told almost from a French viewpoint. It reads as if he spent a little too much time in Paris—I can sympathize—and almost none in London. Indeed, not a single British government official is on his interview list. Thatcher, who famously liberalized London's capital markets with a “big bang,” gets one paragraph; Tony Blair, who sold financial Thatcherism to the center left and then used the EU as an instrument of banking deregulation in the interest of the City of London, doesn't even rate a mention.

Despite this one blemish, Abdelal's book is the definitive account of the politics of global financial deregulation—and its increasingly disastrous consequences. It is instructive that a Harvard Business School scholar became increasingly radicalized the more deeply he looked into the process. Other experts are now having second thoughts about the wisdom of letting speculative capital dominate the real economy. Abdelal finds it ironic that while most casual observers believe the European Union to be the last bastion of managed capitalism, the EU is now the temple of financial liberalization: “The orthodoxy of capital's freedom seems to have been undermined everywhere except for Brussels, in part because the codified norm of capital liberalization for European states is literally not open to interpretation.”

Though Abdelal's grasp of finance is sure, his elegant essay style is more in the genre of political history than in technical economics. How to make financial capital once again servant rather than master will dominate public debate for the next decade. And speaking of finance, Harvard University Press should find a way of selling *Capital Rules* for less than \$52.50, for this book deserves the widest general audience of serious people.

IF THE NEED TO ONCE AGAIN HARNESS finance in the broad economic interest is one pressing challenge of our young and turbulent century, another is surely the need to save the planet itself. James Gustave Speth, long a respected environmental leader, an adviser to President

Jimmy Carter, and now a dean at Yale, has written a powerful account of his own radicalization based on his deepening examination of the environmental perplex. As Speth notes, environmental degradation is closely linked to the two other ills of our time: “growing social inequality and neglect and the erosion of democratic governance and popular control.” (Had he been writing six months later, Speth would have added to this list financial collapse.) Like Abdelal, Speth concludes that the broader problem is the perversity of capitalism itself. “The fundamental question thus becomes one of transforming capitalism as we know it.”

Speth begins *The Bridge at the Edge of the World* by providing a succinct, well-crafted, and thoroughly documented summary of environmental calamities. His subheads read almost like the biblical 10 plagues: Climate Disruption; Losing the Forests; Losing the Land; Losing Freshwater; Losing Marine Fisheries; Toxic Pollutants; Losing Biodiversity. We have heard much of this before but rarely as crisply summarized in one authoritative chapter. The writing is deeply humane, witty, uplifting, and modest rather than pretentious.

The dynamics of capitalism, Speth argues, are at the crux of these problems: “When prices reflect environmental values as poorly as today’s prices do, the system is running without essential controls.” He calls for a radically different set of economic policies to accurately price the true costs of environmental degradation and to harness new technologies. He goes on to link an out-of-control market system to the array of other social ills, drawing on his extensive knowledge of issues of global human development.

The book reads as if Speth, now in the fifth decade of a distinguished career, decided to take some time out and immerse himself in a small library of works on modern capitalism. The result is a superb synthesis of the great economic questions of our time: how to reconcile markets with environmental sustainability; efficiency with equality; and trade and global openness with socially defensible standards of living. These are ultimately political questions,

not technical ones. Speth calls, first and foremost, for an invigorated democracy, at all levels, as the necessary counterweight to rapacious capitalism.

This allocation of central blame to capitalism might sound almost Marxian, but Speth writes less in the mode of Marx and more in the spirit of Karl Polanyi, a non-Marxist who composed a more persuasive account of capitalism overwhelming civil society. Speth observes, “It is true but too easy to say that the resistance will come from entrenched interests. It will also come from ourselves. We are the consumers and the employees, and we are easily seduced.” But in the end, despite his depressing

catalog of ills, Speth remains a warm-hearted optimist. There are, he concludes, “solid grounds for hope”—in new scientific and technical breakthroughs that put sustainability and decent living standards on the same side and in the emergence of a global civil society.

There is historical precedent for this optimism. As Abdelal reminds us, during the quarter-century after 1944, the year both of the Bretton Woods Accord and the publication of Polanyi’s masterwork, *The Great Transformation*, it was indeed possible to balance the dynamism of markets with other social imperatives. All it took was a far more robust democratic politics. **TAP**

BOOKS

TRAIL OF DECEIT, PART III

THE WAY OF THE WORLD: A STORY OF TRUTH AND HOPE IN AN AGE OF EXTREMISM BY RON SUSKIND, Harper, 415 pages, \$27.95

BY RAYMOND BONNER

RON SUSKIND HAS EARNED A REPUTATION for exposing the secrets and probing the innards of the Bush administration. A former *Wall Street Journal* reporter, he has now published the third in a trilogy on the administration’s deceptions. The first two books, *The Price of Loyalty* (2004) and *The One Percent Doctrine* (2006), showed that well before September 11, 2001, the administration was intent on invading Iraq and overturning limits on presidential powers. Like the earlier books, *The Way of the World* has stunning revelations, but by interspersing accounts of midlevel officials involved in the war on terrorism and ordinary individuals who have been affected by it, Suskind also attempts to provide a rich portrait of the people caught in the vortex of history.

One revelation in *The Way of the World* has set off so great a political maelstrom that it has had the unfortunate consequence of diverting attention from other aspects of the book that are equally damning. The controversy surrounds Suskind’s claim that the CIA forged a document to legitimate the invasion of Iraq after the

fact. In late 2003, with the war in Iraq beginning to sour, and with evidence mounting that Saddam had no weapons of mass destruction or any connection to 9-11, a British reporter in Baghdad came into possession of an explosive memorandum. Dated July 1, 2001, and signed by the head of Iraqi intelligence, Tahir Jalil Habbush, it said that the Iraqi government had hosted Mohammed Atta, one of the masterminds of September 11, and that al-Qaeda had arranged for a shipment (presumably uranium) from Niger via Syria and Libya. Tim Russert and Tom Brokaw leaped on the story, and Fox News shouter Bill O’Reilly was beside himself with glee.

According to Suskind, the CIA forged the Habbush letter on the request of the White House. That implies a crime: If the CIA forged a document for the purpose of influencing American opinion, it would violate U.S. law. No wonder the White House and CIA issued vigorous denials immediately after Suskind’s book was released.

But there is much more to *The Way of the World* than the story of the Habbush

letter. Consider how the administration treated its allies. According to Suskind, the National Security Agency monitored the phone calls of German officials. And the CIA undermined a British intelligence operation by secretly sending an operative to Pakistan to slip information to Pakistani intelligence, which led to premature arrests in the plot to blow up airliners over the Atlantic in 2006. According to Suskind, domestic political motives were again at work; the Bush administration intended the disclosure to help Republicans in upcoming congressional elections. But when the case finally went on trial in London this past

out the book, which gives the reader an inside view of how journalists get those blockbuster front-page stories that often bring cries that the press and the leaker are unpatriotic, or worse. Contrary to popular impressions, these scoops rarely come from a single source. Rather, they are the product of a painstaking, dogged pursuit that enables a reporter to accrete nuggets of information.

visit?” he asks. Only a few people in the highest levels of the Bush and Blair governments were aware of the operation, which Suskind depicts as “one of the world’s best kept secrets.”

With Bush beating the drums of war, Shipster had several clandestine meetings with none other than Habbush, the head of Iraqi intelligence, who told him that if the United States did invade, it would find

According to Suskind, domestic political motives were again at work; the Bush administration intended the disclosure to help Republicans in upcoming elections.



When the Bombs Hit Baghdad: Top U.S. officials had already been told Iraq had no WMDs.

September, a jury found insufficient evidence to convict any of the eight defendants in connection with the airliner plot, though it did convict three on general conspiracy-to-murder charges.

Suskind seems to settle one of the more contentious debates about the origins of the Iraq War: whether the Bush administration went to war on the basis of faulty intelligence or *knew* Iraq did not possess weapons of mass destruction.

“We knew,” a senior American intelligence official tells Suskind over a meal at a Washington restaurant, going on to explain that a super-secret British operation had turned one of Saddam’s senior intelligence officers. What follows is a riveting story, interspersed through-

Thus, from his restaurant source, Suskind learns the name of the British intelligence agent who pulled off the remarkable operation: Michael Shipster. “Debonair guy. Brilliant. He’s the best they have,” the source tells Suskind.

Suskind seems to be able to get almost everyone to talk to him, even Richard Dearlove, former head of Britain’s storied intelligence agency, MI-6. Again, using the classic journalistic technique of telling someone what you already know, perhaps purposely making a mistake, in the hope of getting the person to add information or correct it, Suskind spins out for Dearlove what he “knows” about Shipster’s intelligence coup. Dearlove is astonished.

“How did *you* know about Shipster’s

no weapons of mass destruction. Saddam had ended his nuclear and biological programs in 1991. According to Dearlove, George W. Bush and Dick Cheney, as well as Tony Blair in Britain, were apprised of the facts. To no avail, of course.

Suskind is every bit Bob Woodward’s equal in burrowing into the Bush administration and getting officials to talk to him. Unfortunately, he has also adopted Woodward’s practice of telling us what someone is thinking or doing, when it is hard to imagine how he could know. How, for example, does Suskind know what happened in a private meeting between Bush and Cheney, or what Bush and German Chancellor Angela Merkel said to each other in a telephone conversation? He has lengthy verbatim quotations and the back-and-forth from discussions lasting hours. Did he have access to tape recordings? Or are they reconstructions? Footnotes would have helped, of course, but Suskind doesn’t consider them necessary.

Along with exposing secrets and the mendacity of the Bush administration, Suskind tells some personal and poignant stories of ordinary people and through them probes further the consequences of the administration’s war on terrorism. There is Usman Khosa, a bright American-educated Pakistani, whose roommates are a Jew and a Christian. He has a good job at an economic-consulting firm in the capital. One warm summer morning in 2006, as he is passing the White House, wearing a backpack, the cops yell at him to stop; he doesn’t hear

because he is listening to his iPod. They grab him, rip off his backpack, spread-eagle him, put him in handcuffs, and haul him off into a black SUV for interrogation. His interrogators insist that he must know how to detonate bombs since he is from Pakistan. They want the names and phone numbers of his friends.

After several hours, the police let him go. He walks across to Lafayette Park and weeps. Still, he doesn't lose faith in America, but his religious faith is challenged. He knows the D.C. party scene, and when two 20-something Pakistanis come to town, they immediately want to go to a strip club. First they want to eat, but only halal.

Usman is stunned. They want to go to a strip club but will only eat food permitted under Islamic law? "This is messed up, man," he says. "That's why I don't like Islam," why since coming to America, "I've become a bit of an atheist." When his friends hear that, they want to kill him.

For the most part, Suskind pulls off this weaving together of the political and personal, as he does in a moving story about the military judge who finally blew the whistle on the injustices of the military-commissions system at Guantánamo. But at times, Suskind's prose gets away from him; a reader won't lose anything by skipping the prologue, with the bathetic use of the "walk in another's shoes" image. And for all his obvious intelligence and sophistication, Suskind's analysis sometimes sounds simplistic. For example, he writes that after Wendy Chamberlain, ambassador to Pakistan after 9-11, retired from the Foreign Service, she had an epiphany while working in Sudan for the United Nations High Commission for Refugees. The goal of assistance, Chamberlain concluded, should be helping others, as opposed to doing what is best for the United States. No question that America's aid program needs to be radically overhauled, but Suskind's suggestion that the United States should just "do the right thing" hardly seems like much guidance.

Suskind's admiring treatment of Benazir Bhutto is another example of the book's limitations. He concludes that she evolved from a politician marked by corruption and a "lust for power" into a

leader who might have transformed Pakistan and made the world a better place. Perhaps. But I could not help thinking of Bush claiming he had seen into Vladimir Putin's soul.

In another startling disclosure, Suskind reveals that the NSA, which was monitoring Bhutto's phone calls, overheard a conversation in which she gave her son the numbers of secret bank accounts "that hold the family's fortunes—huge reserves of money that investigators have long suspected are ill-gotten." Suskind doesn't ask why the Bush administration was still supporting her after learning this information. Nor does he deploy his considerable investigation skill to probe the corruption allegations. Investigators in Britain, Switzerland, and Spain allege that the money is from kickbacks and bribes paid to Bhutto's husband, Asif Zardari, when he was in Bhutto's Cabinet. Now that Zardari is Pakistan's president, journalists should be scrambling to find out what the United States is doing with what it knows.

The lies told and the damage wrought by the Bush administration in the war on terrorism are fairly well known now as a result of the work of investigative jour-

nalists such as Suskind, Seymour Hersh, and Jane Mayer, who gives the best book-length account in her recently published *The Dark Side: The Inside Story of How the War on Terror Turned into a War on American Ideals*. The challenge is how to undo the damage. For starters, there has to be some accountability for those responsible for Abu Ghraib and for the secret prisons where suspected terrorists were brutally tortured. Congress needs to conduct a serious investigation into whether, in fact, the White House forged the letter Suskind writes about. Above all, as Suskind notes repeatedly in *The Way of the World*, there is a need for "moral leadership" if the United States is to recover its reputation and influence in the world. A new president may help, but moral leadership must come from Congress as well. Given the large majorities that passed the PATRIOT Act and the Military Commissions Act, it is hard to be optimistic. The first step, though, is confronting the facts, and Suskind's book helps us do that. **TAP**

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BOOKS

DEMOCRACY WITHOUT PEOPLE

CONSTITUTIONAL PATRIOTISM BY JAN-WERNER MÜLLER
Princeton University Press, 177 pages, \$19.95

BY MICHAEL LIND

OURS IS AN AGE OF LIBERAL nationalism, the political doctrine that holds that the state should be democratic in form and national in content. The Cold War coincided with the emergence of new nations out of the European empires, and it was followed by the breakup along national lines of the Soviet Union, Yugoslavia, and Czechoslovakia. Not all countries are democratic, but authoritarian states like China and Egypt do not promote a rival, universal model the way that militant communists and fascists did. Not all states are nation-states, but most violent conflict in the

world today, from Iraq to Palestine to Tibet and Chechnya, involves stateless nations seeking nation-states of their own. Except in the special case of Europe, no significant movements in the world seek to replace the nation-state with some other form of political organization. And even in Europe, the transcendence of the nation-state is a project favored chiefly by elites but regarded suspiciously by voters, like those in France, the Netherlands, and most recently Ireland who have rejected greater European integration. Belgium may yet break up, and Scotland may achieve independence.

In light of the global triumph of the nation-state, it is puzzling that so many thinkers in the West, on both sides of the Atlantic, seek to sever the connection that Giuseppe Mazzini, John Stuart Mill, and Woodrow Wilson beheld between democracy and the demos defined as the nation. In North Atlantic intellectual circles, liberal nationalist thinkers such as David Miller, Yael Tamir, and David Goodhart find themselves in the minority. Even as dozens of new national and quasi-national states have been added to the United Nations, liberal philosophers and political theorists have spent several decades speculating about alternatives to the nation-state, including multiculturalism (Charles Taylor), civic republicanism (Maurizio Viroli), cosmopolitanism (Anthony Appiah and Martha Nussbaum), and constitutional patriotism.

The term constitutional patriotism (*Verfassungspatriotismus*) is associated with the sociologist and philosopher Jürgen Habermas, who opposed the view of conservative German historians in the 1980s that the Federal Republic of Germany should become a “normal” nation-state. Habermas, along with several other West German thinkers, proposed a kind of patriotism that would be severed from any ethnic or cultural basis and take the form of a common agreement on democratic principles. Unlike liberal nationalists, who hold that a country’s identity should be a mixture of universal principles shared by many countries and local traditions that define a particular community, constitutional patriotism envisions, in effect, a democracy without a demos. This makes constitutional patriotism far more radical than multiculturalism, which posits several peoples in a state, or cosmopolitanism, which assumes a single global people.

In *Constitutional Patriotism*, Jan-Werner Müller, who teaches politics at Princeton, has provided a thorough and engaging defense of the concept. Müller rejects the “genealogical critique,” the claim that German proponents of constitutional patriotism like Habermas, traumatized by the Nazi past, make the mistake of rejecting all nationalism as

inherently bad. He points out that the idea of a post-national democracy has appealed to many outside of Germany as a rationale for the European Union or a formula for democracies in which immigration has increased ethnic and religious diversity. Indeed, the claim that the United States is a polity whose citizens hold nothing in common except a shared commitment to democracy, dubious though it may be, is a staple of American political rhetoric.

Müller’s argument is with contemporary liberal nationalism; he does not

infamous proposal to confront would-be immigrants to the Netherlands with images of gay couples kissing and bare-breasted women on Dutch beaches.” But why shouldn’t the Dutch seek to deter the immigration of religious conservatives—American Southern Baptists or Pentecostals, for example—who, on gaining citizenship, would be likely to maintain a separate subculture and use perfectly legal and democratic methods to change Dutch society?

With respect to political dissent, Müller concedes that it may be threatened

Habermas proposed a patriotism that would be severed from any ethnic or cultural basis and take the form of an agreement on democratic principles.



Jürgen Habermas

bother to refute illiberal nationalism, Islamist theocracy, or other doctrines that reject liberalism and democracy altogether. According to Müller, “A liberal nationalism that essentially reifies ‘national culture’ is likely to opt for immigration and integration policies that are highly assimilationist; it’s also more likely to place limits on political dissent and insist, for instance, that heroic national histories can’t be questioned since they allegedly need to serve as sources of ‘national pride.’” The context for Müller’s concerns about immigration is the debate about Muslim immigration to Europe. Müller criticizes “the Dutch minister Rita Verdonk’s

by abuses of constitutional patriotism. Any regime that defines itself in terms of a political creed like “Americanism” is in danger of viewing philosophical disagreement as treason, in the manner of McCarthyism. Müller, who is scrupulously fair in pointing out the weaknesses of his own side, warns that post-national “militant democracy,” adopted as the ideology of the EU, could give rise to accusations of “un-European activities.”

The greatest challenge to the idea of post-national constitutional patriotism, a problem not faced by post-national cosmopolitan democracy, is the need to explain why people should feel loyalty toward one constitutional democracy rather than another. Müller’s attempt to turn the accusation of abstractness against liberal nationalists is unconvincing: “Liberal nationalists have made much of the supposed ‘abstractness’ of constitutional patriotism, but what liberal nationalists conceive as the core object of their theory—a singular ‘national culture’—is in fact more of an abstraction than a set of normative commitments centered on a constitution.” No, it’s not. The Scots and the Kurds, to name two stateless nations, manage to identify one another and distinguish themselves from others pretty easily, notwithstanding academic clichés about “invented traditions” and “socially

created identities.” And it remains the case that most ethnic nations, whether small like the Slovenes or vast like the Han Chinese, are made up for the most part of individuals who are related not merely by culture but also by common ancestry and endogamy. The estimated number of people in today’s world who are living in countries other than the ones in which they were born—a paltry 3 percent—gives the lie to another contemporary cliché, the claim that immigrant-diaspora cultures are churning traditional identities everywhere, rather than affecting chiefly the small number of countries, most of them in North America and Western Europe, that both permit and receive large numbers of immigrants.

Müller adopts a strategic retreat when he writes that “constitutional patriotism at least to some extent has to rely on already existing political units ... [and] cannot by itself generate large degrees of social solidarity.” But once he makes

these large concessions, his case for constitutional patriotism collapses, except for the laudable hope that majorities in existing nation-states will avoid bigotry in immigration policy and reflect critically on the bad as well as the good in their nation’s history.

One comes away from this thought-provoking essay wondering whether the last word does not belong with critics of constitutional patriotism who assert that unlike Germany, “other countries do not have a comparably difficult past, and therefore are better served by forms of liberal nationalism—nationalism, that is, which is concrete, passionate, alive, and yet kept in check by liberalism.” In a world of nation-states, that may be the best hope for democracy. **TAP**

Michael Lind, the Whitehead Senior Fellow at the New America Foundation, is the author of The American Way of Strategy.

The problem, Stone argues, is that the natural human tendency to give of yourself to a greater good has effectively been “privatized” in America. Our institutions, politics, and public discourse ignore, when they do not actively discourage, our better natures. We Americans are social animals who nonetheless teach ourselves to be selfish in the public sphere.

Stone, a professor of political science at Dartmouth College, saw this perverse dynamic while researching the lives of home health-care aides. These low-paid workers, she found, are actively discouraged from becoming emotionally “involved” with their clients. They are instructed to feed, bathe, dress, and otherwise tend to their charges, but bringing a little warmth and cheer and plain old TLC to their days is not part of the job description. Not surprisingly, the aides’ job satisfaction—and their deepest value—lies in this intangible caring arena. They “cheat” to become friends and intimates of their patients.

The suppression of caring impulses is buttressed by an impressive ideological structure assuring us that “help is harmful” when it comes to government assistance. Ronald Reagan and the conservatives who have dominated public policy for almost 30 years have convinced Americans of the “perversity argument” that a government that helps people only hurts them by making them lazy and dependent.

Of course, Reagan wasn’t the only voice in this choir. Neoclassical economists preach that unsentimental, unfettered markets produce more wealth and well-being than well-intentioned regulations or social programs. Libertarians tout the freedom to be “left alone” by a meddling government. Employers define the ideal worker as an atom with no responsibilities for any other living thing, available to work 24/7. The result is a tough unfeeling system that scorns the weak and dependent and labels protests to the contrary as “whining” by losers. Never mind that perhaps 40 percent of the population—most of those under 20 and over 65 years old—are dependent, one way or another, on others.

Stone worries that the denial of

BOOKS

THE LIMITS OF SELF-INTEREST

THE SAMARITAN’S DILEMMA: SHOULD GOVERNMENT HELP YOUR NEIGHBOR? BY DEBORAH STONE, Nation Books, 327 pages, \$25.95

BY ANN CRITTENDEN

ON A WARM SUMMER EVENING several years ago, I was strolling through Midtown Manhattan on my way to meet friends for a drink. I paused outside the windows of Saks Fifth Avenue, and in that absentminded moment, someone grabbed my purse and took off. As I started after him, yelling, “Stop, thief!” a jogger suddenly raced passed me and rounded the next corner in hot pursuit. Within minutes the runner reappeared, my purse in hand. Dashing past me, he silently handed it off like a baton and kept going without ever breaking stride.

Until I read Deborah Stone’s *The Samaritan’s Dilemma*, I had thought of this incident only as an amusing New York City story. Now I see it as an example of what Stone calls “everyday altruism.” It’s her premise that people do

things to help other people all the time and that altruism is a powerful but invisible force in our lives. We have a deep need to be of use to others and to be part of something larger than ourselves. The tragedy for Americans is that this native selflessness is underrated in our culture, and our leaders have not had the wisdom to harness it for the common good.

Americans do hear the message of altruism in their churches, for every major religion teaches us to help others. I remember one sermon on Mother’s Day, when our pastor reminded us that “we are defined by our responsibilities”: We are never more aware of self-definition through service to others than when we have young children. Countless mothers and fathers dedicate their lives to their children, and more than one-fifth of adults are caregivers to other adults.

legitimate help to citizens undermines democracy. A constant emphasis on the self-interested self destroys our ability to imagine an "us," that is, an empowered democratic community. Political science textbooks used to tell us that citizens making demands of their government was an essential aspect of democracy. Today, only powerful lobbies expect the government to be their friend. While individual citizens expect little from Washington, organized financial and other powerful interests expect more and are used to getting it. When they run into trouble, they know where to run: Government help won't harm them.

This book was written before the financial crisis, but Stone misses an opportunity to analyze the corporate socialism that has long been lurking behind the "help is harmful" smokescreen. The book disappoints in other ways as well. It is overly anecdotal and vague. "Altruism" is loosely defined, variously referring to good deeds, social programs, family caregiving, or community activism. I

found myself yearning for a more rigorous critique of the ethic of self-interest.

Maybe Stone is just too nice. She writes as if the 1980s attack on social programs had no basis whatever in reality. In her

While individuals expect little from Washington, powerful interests expect more and are used to getting it. Surely government help won't harm them.

telling, no one ever cheated on welfare, no doctor ever overcharged Medicare, no social worker or home health-care aide ever suffered burnout, no teacher ever shortchanged her students. In effect, she asks us to believe that the anti-government rhetoric of the past decades was successful not because it contained a grain of truth but because of brilliant conservative propaganda. I wouldn't give conservatives that much credit. There are problems of moral hazard, and they affect social programs just as they affect financial bailouts. All that's different is the

scale. And boy, we ain't seen nothing yet!

But *The Samaritan's Dilemma* does well to remind us that altruism is indeed a huge untapped national resource that could be used to revitalize our democracy.

She suggests how future social-insurance programs may be better designed to permit people to do more to help themselves and have more control over their lives. Above all, she is dead right that progressives need to reclaim a moral language by appealing to our better selves, rather than our isolated selves. **TAP**

Ann Crittenden is the author of If You've Raised Kids, You Can Manage Anything and The Price of Motherhood: Why the Most Important Job in the World is Still the Least Valued.

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The Hardest Lesson

BY ROBERT B. REICH

WITH THE COLLAPSE OF THE BANKING SYSTEM, politicians and journalists are looking back at all the warning signs they missed: the sudden popularity of sub-prime loans, the rise of securitized debt instruments, the abject failure of credit-rating agencies. But

perhaps instead of proximate causes, we should have paid attention to a much more basic red flag: inequality.

The specific financial machinations that lead to collapse are always different, but inequality at the levels America reached in 2006 (the last year for which we have data) is a reliable sign of danger. The richest 1 percent of Americans last year took home 23 percent of total national income. Back in 1980, the richest 1 percent took home 8 percent of total income. The last time the top 1 percent took home more than 20 percent of total income was in 1928, just before the Great Crash.

I'm not predicting another Depression, but the parallels between what's happening now and what happened 80 years ago are striking. In the 1920s, wealth and income began concentrating at the top for a number of reasons: a huge consolidation of industry that richly rewarded certain investors and executives; the emergence of Wall Street as a driving force in the economy as the nation shifted toward debt financing, generating large gains for financiers; and increasing globalization, putting large sums of money into the hands of those commanding the heights of international commerce.

What was the response of Washington to this increasing concentration of income? President Calvin Coolidge slashed taxes on the highest income earners. At the same time he pursued anti-union policies that reduced the bargaining leverage of blue-collar workers, resulting in lower wages

for them. The only way most Americans could maintain their slice of the pie was to go deeper into debt. Between 1913 and 1928, the ratio of private credit to the total national economy nearly doubled.

The mounting debt could not be sustained. The collapse began with the Great Crash but continued for a dozen years. Why? When debt financing was no longer available to them, Americans could no longer buy nearly as much of the goods and services they were creating in factories and offices. The immediate result was mass layoffs, leaving Americans with even less money. The longer-term result was continued economic depression.

Policy-makers have learned a great deal since the Depression. When the economy slumps, the Federal Reserve Board can expand the money supply, thereby lowering interest rates and enabling consumers and businesses to borrow more cheaply. Congress and the president can cut taxes and increase spending, in order to make up for a temporary lull in private demand for goods and services.

But the recent economic turmoil in the wake of the bursting housing and credit bubbles suggests that we may not have learned as much as we thought we had. Most important, we have not absorbed the lesson that widening inequality can

threaten the economy. Many economists have come to view efforts to counter widening inequality as potentially harmful to economic growth. At the extreme lie the economics espoused by Ronald Reagan, George W. Bush, and John McCain—advocating large tax cuts for the rich on the assumption that the rich will use their extra dollars to invest in factories, machines, and inventions, all of which will spur growth. This view ignores two basic facts.

First, capital is global. There are two ways to attract it: make wages so low, regulations so minimal, and taxes so tiny that global capital gets a high return because things can be made so cheaply; or have a work force so productive, an infrastructure so modern, and research so advanced, that global capital gets a high return because things can be made so well. Only the latter strategy will provide a nation's people with a high standard of living, but it requires substantial public investment. And much of that investment—especially in education, health care, public transit, and public health—must be aimed at the broad middle class and those below it. This is not simply a matter of fairness. It is a matter of widespread prosperity and growth.

Second, the rich do not spend nearly the same proportion of their incomes as citizens of more modest means. After all,

being rich means you already have most of what you want. So a tax cut for the rich will not generate nearly as much demand for goods and services as will a tax cut for average working people. A higher minimum wage and expanded Earned Income Tax Credit will stimulate more spending than benefits aimed at the rich. This is not just an issue of fairness. It is good economics.

The current economic turmoil should instruct us that there is less of a tradeoff between growth and fairness than we might have supposed. Yet of the many lessons the Great Depression taught us, this one seems to be the hardest to learn. We are now paying the price. **TAP**

*Inequality
should have
been the
warning sign
of economic
crisis.*